



Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ

Annual Report 2022



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ABBREVIATIONS

APP	Asset Purchase Programme
ATM	Automated teller machine
BHAS	Agency for Statistics of Bosnia and Herzegovina
BH	Bosnia and Herzegovina
BIS	Bank for International Settlements
BIRS	Stock Exchange Index of Republika Srpska
BLSE	Banja Luka Stock Exchange
BoE	Bank of England
bp	basis point
CBBH	Central Bank of Bosnia and Herzegovina
CEFTA	Central European Free Trade Agreement
CNY	Chinese yen
CPI	consumer price index
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
EFSE DF	European Fund for Southeast Europe Development Facility
EIB	European Investment Bank
EMIS	Energy Management Information Systems
ERP	Economic Reforms Program
ESCB	European System of Central Banks
EUR	Euro
FBH	Federation of Bosnia and Herzegovina
FED	US Federal Reserves System
FOB	Free on board
FSI	Financial soundness indicator
FTSE100	Financial Times Stock Exchange 100 Index
GB	Governing Board of the Central Bank
GDP	Gross domestic product
GFS	Government finance statistics
HO	Head Office of the Central Bank of BH
HRK	Croatian kuna
IDA	International Development Association
ILO	International Labour Organization
IPA	Instrument for Pre-accession Assistance
IMF	International Monetary Fund
ITA	Indirect Taxation Authority
KM	Convertible mark
LCR	Liquidity coverage ratio
lhs	Left hand scale
NEER	Nominal effective exchange rate

NSFR	Net stable funding ratio
MU of ITA GB	Macroeconomic Unit of the Indirect Taxation Authority Governing Board
PEPP	Pandemic Emergency Purchase Programme
POS	Point of Sale
pp	percentage point
QE	Quantitative Easing
QM	Quasi money
QT	Quantitative tightening
REER	Real effective exchange rate
rhs	Right hand scale
RR	Required reserves
RS	Republika Srpska
RSD	Serbian dinar
RSOG	Republika Srpska Official Gazette
RTGS	Real time gross settlement system
SASE	Sarajevo Stock Exchange
SASX-30	Sarajevo Stock Exchange Index-30
SDR	Special drawing rights
SECO	State Secretariat for Economic Affairs of Swiss Confederation
SIMS	Safety Information Monitoring System
SRBEA	Single Registry of Business Entities' Accounts
SWIFT	Society for Worldwide Interbank Financial Telecommunications
SCFS	Standing Committee for Financial Stability
TRY	Turkish lira
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
USD	US dollar, currency of USA
VAT	Value added tax
WAnIR	Weighted average net interest rate

ISO COUNTRY CODES

AL	Albania
BA	Bosnia and Herzegovina
EA	euro zone
EU	European Union
ME	Montenegro
MK	Republic of North Macedonia
RS	Republic of Serbia

INTRODUCTION BY THE GOVERNOR



In the Annual Report, which you are reading, we have presented the most important activities and measures that the Central Bank of Bosnia and Herzegovina undertook during 2022 in order to fulfill its goal set by the Law - maintaining the stability of the domestic currency in accordance with the selected model of monetary policy - the currency board. Consistently applying the selected model of monetary policy, the Central Bank of Bosnia and Herzegovina enabled the stability of the domestic currency, contributing to the overall financial stability in the country, noting that the situation on the financial markets was extremely turbulent. The Central Bank of Bosnia and Herzegovina continuously fulfilled its tasks defined by the Law, as well as carried out activities to fulfill the tasks defined by the Strategic Plan.

It has already become a kind of tradition that every year brings with it some new challenge that could not be predicted, but 2022, the year in which our institution marked the 25th anniversary of operations, faced all of us with the biggest challenges in terms of the economic consequences of the war in Ukraine. The year in which we expected a full recovery of economic activity after the Covid-19 pandemic, turned into a year of interruptions in supply chains at the global level, extreme growth in the prices of raw materials, energy, oil and food. This increase in inflationary pressure in Bosnia and Herzegovina was reflected in the fact that, for the first time after several decades of low and stable price growth, we faced a double-digit growth rate in consumer prices and a never more challenging environment for economic policy makers in Bosnia and Herzegovina.

In addition to the already mentioned inflationary effect, the war in Ukraine brought an additional challenge in terms of the stability of the financial sector. With the quick and adequate reaction of institutions in Bosnia and Herzegovina that are participants in the country's financial stability network, among which is the Central Bank of Bosnia and Herzegovina, the restructuring procedure in Sberbank BH d.d. Sarajevo and in Sberbank a.d. Banja Luka was successfully carried out. All previous risks associated with the previous owner have been eliminated, and the stability of the banks has been preserved, the protection of clients and depositors has been ensured, and thus the stability of the entire banking system in Bosnia and Herzegovina has been achieved.

Despite such challenging circumstances, our institution did not fail to continue improving and upgrading its functions, this year too, while regularly performing all tasks. Foreign exchange reserves were managed based on the principles of safety and profitability, which successfully maintained monetary stability. The change of the situation on the international markets also brought with it a higher return based on the investment of foreign exchange reserves, and the Central Bank of Bosnia and Herzegovina for the year ending December 31, 2022 achieved a net profit in the amount of KM 25,899,257.46.

In the circumstances of a significant increase of the interest rates on the international financial markets, we responded in a timely manner and adjusted our investment policy in order to strengthen the stability and resilience of the currency board. By restructuring the investment portfolio, we reduced the negative effects of the rise in interest rates on the value of foreign exchange reserves while simultaneously ensuring the continuity of adequate coverage of monetary liabilities with foreign exchange reserves. Today, almost a year after the start of the cycle of increasing key interest rates and normalization of monetary policies around the world, we can confidently assert that the Central Bank of Bosnia and Herzegovina is ready and has the capacity to face all challenges and responds adequately to them in order to preserve the integrity and confidence in the currency board.

Payment systems functioned without interruption and all transactions were carried out properly, and during the year, more precisely, at the end of March, another improvement in functionality was made by putting into operations a new service through which all individuals and legal entities can obtain information about the accounts of business entities in BH, which are contained in BH Single Registry of Business Entities' Accounts as form of an informative report. This upgrading of functionality will certainly have a positive effect on the creation of a more dynamic and safer business environment in Bosnia and Herzegovina.

All the needs of banks and the economy are met when it comes to cash supply. When we talk about the cash management, it is worth mentioning that a new series of KM 200 banknote was put into circulation in August 2022. The proper execution of the

function of fiscal and banking agent for the state of Bosnia and Herzegovina and other public institutions continued.

Long-term consideration and planning, as well as continuous work on the improvement of documents and policies in the field of risk management, information security, and compliance programs, have also experienced their international recognition. Thus, the Central Bank of Bosnia and Herzegovina was awarded by Capital Finance International in as many as two categories: Best Central Bank Governance CEE 2022 (for Best Central Bank Governance in Central and Eastern Europe in 2022) and Outstanding Contribution to Economic Development Bosnia and Herzegovina 2022 (for Outstanding Contribution to Economic Development of Bosnia and Herzegovina in 2022). We are specially proud of the fact that, for the first time since its establishment, the Central Bank of Bosnia and Herzegovina was awarded with one of the most prestigious awards given to central banks - The Central Banking Award, in the transparency category. The award represents exceptional recognition for our previous work on strengthening integrity and business ethics.

In addition to the regular execution of mandates and tasks, the Central Bank managed to make significant improvements in many segments, working independently or in cooperation with international organizations and institutions (SECO, IMF, EBRD, WB). All this would not be possible without the maximum professionalism and engagement of all staff members of our institution. I would like to take this opportunity to thank all the members of the Governing Board, the Management and the employees for their professionalism and contribution in achieving the set goals.

The Annual Report for 2022 was approved at the session of the Governing Board of the Central Bank of Bosnia and Herzegovina, held on March 30, 2023.

Senad Softić, Ph.D.
Governor



LEGAL STATUS

According to the Constitution - Annex 4 of the General Framework Agreement for Peace in Bosnia and Herzegovina, the Central Bank of Bosnia and Herzegovina is an institution of Bosnia and Herzegovina established by the Law on the Central Bank of Bosnia and Herzegovina, adopted by the Parliament of Bosnia and Herzegovina on 20 June 1997¹ and it has commenced its operations on 11 August 1997. The main objectives and tasks of the Central Bank of Bosnia and Herzegovina, as defined by the Law on the Central Bank of Bosnia and Herzegovina, are the following:

- to achieve and maintain the stability of the local currency (convertible mark) by issuing it with the full coverage in free convertible foreign exchange funds, according to the arrangement known as currency board, according to the fixed exchange rate: one convertible mark for one Deutsche Mark. Since 01 January 2002, convertible mark has been pegged to euro at the exchange rate: one convertible mark for 0.511292 euro, i.e. one euro amounts to 1.955830 convertible mark;
- to define and control the implementation of the monetary policy of Bosnia and Herzegovina;
- to hold the official foreign exchange reserves and manage them in a safe and profitable manner;
- to maintain appropriate payment and settlement systems;
- to coordinate the activities of the Entities' Banking Agencies responsible for issuing banking licenses and supervising banks;
- to receive deposits from institutions at the level of Bosnia and Herzegovina and commercial banks in order to fulfill the required reserves obligation. The Central Bank can also hold deposits of Entities and other public institutions, as well as other reserves of commercial banks, in case they want it;
- to issue regulations and guidelines for performing the activities of the Central Bank of Bosnia and Herzegovina within the mandate set by the Law on the Central Bank of Bosnia and Herzegovina;
- to participate in the work of international organizations strengthening the financial and economic stability and to represent Bosnia and Herzegovina in intergovernmental organizations related to monetary policy issues.

The Central Bank of Bosnia and Herzegovina is completely independent from the Federation of Bosnia and Herzegovina, Republika Srpska or any public agency or body, with the purpose of objective implementation of its tasks. The Central Bank of Bosnia and Herzegovina consists of the Governing Board, the Management and the staff, who carry out the legally defined activities in accordance with their powers.

The Governing Board of the Central Bank of Bosnia and Herzegovina is a body of the Central Bank of Bosnia and Herzegovina in charge of defining monetary policy and control of its implementation, organization and strategy of the Central Bank of Bosnia and Herzegovina, according to its mandate stipulated by the Law on the Central Bank of Bosnia and Herzegovina. The Governing Board of the Central Bank of Bosnia and Herzegovina includes five members appointed by the Presidency of Bosnia and Herzegovina and elects the Governor among its members, who is at the same time the chairman of this body and the Management of the CBBH. The Governor is the chief executive officer in charge of daily operations of the Central Bank of Bosnia and Herzegovina. The Management of the CBBH which includes Governor and three Vice Governors (appointed by Governor, with the approval of the Governing Board of the Central Bank of Bosnia and Herzegovina) at the request of the Governor, as the chief executive officer, carries out the activities of the Central Bank of Bosnia and Herzegovina and harmonizes the activities of the organizational units.

Governor, with the approval of the Governing Board of the Central Bank of Bosnia and Herzegovina, appoints Chief Audit Executive and Chief Audit Executive Deputies for the risk control in the Central Bank of Bosnia and Herzegovina.

The operations of the Central Bank of Bosnia and Herzegovina are carried out through the Head Office seated in Sarajevo, three Main Units seated in Sarajevo, Mostar and Banja Luka and two Branches seated in Pale and Brčko District.

¹ "Official Gazette of BH", 1/97, 29/02, 13/03, 14/03, 9/05, 76/06 and 32/07.



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Economic trends in 2022

1. ECONOMIC TRENDS IN 2022

1.1 International economic environment

On the global level, the year 2022 was very challenging, and anything but typical, with numerous shocks, leading to relations between macroeconomic segments that do not correspond to the standard business cycle. We have witnessed a rare episode where trends in global and national economies were not in line with economic doctrine, adequate to the usual economic expansion and contraction episodes. The prevailing opinion from the beginning of the year, before the war in Ukraine, that inflation was transitory, has changed. Also, there are increasingly clear signals that that unusual economic relations at the global level will be present in the medium term. Despite disruptions in global production and supply chains, and extraordinarily high inflation, especially in developed countries, Europe and the USA, real economic growth in 2022 turned out to be stronger than expected in the middle of the year. The pronounced tightening of the monetary policy of the leading central banks, with the aim of mitigating the inflationary shock, still does not have a strong effect. Although the first indications of the desired effects of the measures taken by the European Central Bank (ECB) and the Federal Reserve (FED) are being observed, inflation in the EU is still far above the target level, and the ECB is signalling further monetary tightening. In the US, unemployment is at a very low level, which signals that the economy is still overheated, and that further price growth is possible, despite a strong increase in reference interest rates. Euribor, the average interest rate at which the largest banks place funds among themselves, even up to a month, is currently below the deposit rate that the ECB pays banks on deposited funds. The frictions are really strong, because the shocks are both on the supply side and on the demand side, and we have been witnessing unusual global, regional, and domestic trends for three years now. With the passage of time before signs of a serious and permanent global slowdown in inflation and strengthening of economic activity, imbalances in financial flows and flows of goods and services are growing globally, which, in turn, increases the risk of financial and public debt crises in numerous countries in the world.

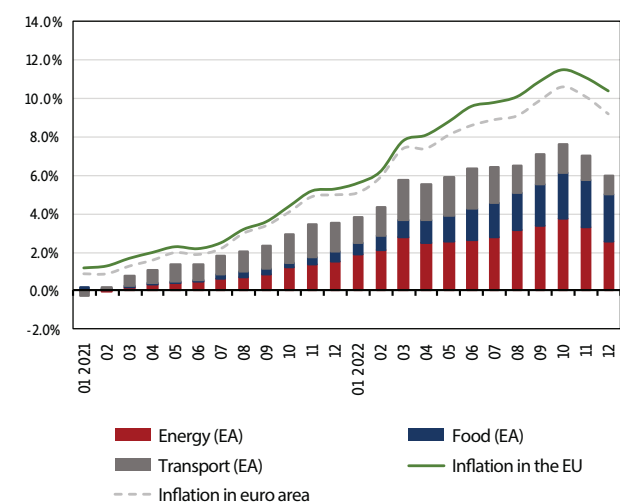
The inflationary shock in most European countries was extremely strong, and double-digit inflation in Bosnia and Herzegovina (see subchapter 1.2, part III) was no exception, nor did we record the highest inflation among European countries in 2022. According to Eurostat data, the level of inflation recorded in BH was exceeded by some of the countries of the European Union (EU). The Baltic countries recorded an annual inflation rate of over 17%, in some cases close to 20%. Higher inflation rates, compared to BH, under the very rough assumption that our measures are identical, in 2022, were also recorded in the Czech Republic, Hungary and Poland. Inflation in North Macedonia, Serbia, Bulgaria and Romania was close to that measured in BH. Croatia, Slovakia and the Netherlands were only slightly lower than the group of countries in the region and Bosnia and Herzegovina. At the same time, it should be borne in mind that some countries have taken measures such as lowering the tax rate, administratively limiting the price of certain goods and services, or financing considerable subsidies to the economy

and the households from the budget. All these measures taken weaken the fiscal position of the country, which was already under pressure due to the measures introduced to mitigate the effects of the pandemic. Finally, it should be borne in mind that the countries differ significantly from each other concerning the primary cause of the increase in average prices and the initial levels of inflation as well, before the pressures emerging at the end of 2021, and the additional inflationary pressure at the beginning of the war in Ukraine.

Text box 1: euro zone inflation

After years of price stability, in 2022 there was a significant increase in the general level of consumer prices at the global level, so that the recorded inflation is significantly higher than the target rates of the leading central banks. The distribution chains damaged by the pandemic together with the war events in Ukraine caused disruptions in the food and energy market. Inflation in the USA in 2022 amounted to 8.0%, which is significantly higher than the FED inflation target, and it reached its peak in June, when it amounted to 9.1% on an annual basis. On the other hand, inflation in the EU and the euro zone in 2022 amounted to 9.2% and 8.4%, respectively, and reached its peak in October (Graph 1.1). The slightly later stabilisation of prices in the EU is mainly the result of the later reaction of the ECB compared to the US FED in raising reference interest rates. In addition, higher inflation rates in the EU compared to the US are a consequence of the greater exposure of the European market to the negative impacts of the conflict in Ukraine, i.e. greater dependence on Russian energy sources, as well as Russian and Ukrainian agricultural products.

Graph 1.1: Contribution to Headline Inflation Growth in the Euro Area by the Most Significant Product Groups

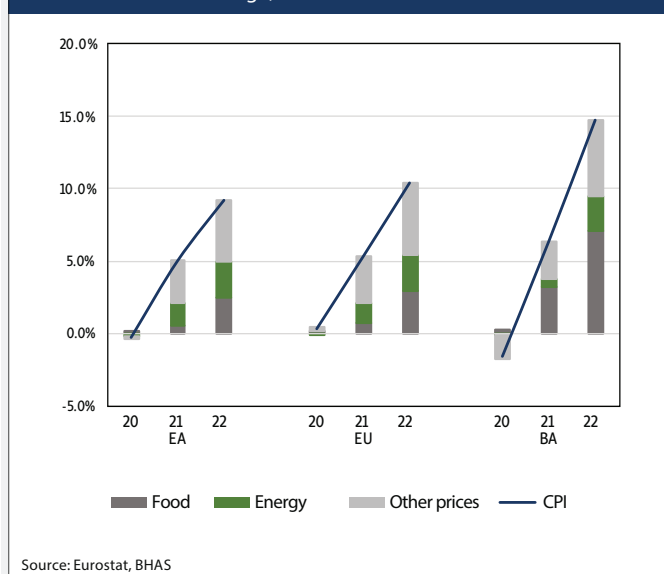


Source: BHAS, Eurostat

Inflationary pressure on average consumer prices is very different comparing the domestic and euro zone markets, both in the contributions of individual sections, and in the strength

of the inflationary pressure itself, wherein on average in 2022 a considerably higher increase in domestic prices was recorded. Considering the high dependence on Russian energy products and their enormous price growth in the first months of the conflict in Ukraine, the biggest contribution to inflation in the euro zone in 2022 was electricity, gas and other fuels, which accounted for one third of the total price increase. In addition to energy products, the food sector had a significant impact on overall inflation (contribution of about 20%) due to record prices, which at the global level was a special challenge for developing countries that import large quantities of food. Graph 1.2 clearly shows that the contribution of the food section to the overall growth of consumer prices in the euro zone is significantly lower than in BH, given the significantly lower weight of the food section in the total expenditure of households in the euro zone of 12.4% compared to 29.13% in BH, which is a consequence of considerably higher available income of households in the euro zone. The growth in transport prices also contributed to the inflation situation with around 20% in the total inflation in 2022 in the euro zone, considering the rising costs due to the significant rise in the prices of oil and oil derivatives, as well as the prices of means of transport. At the end of 2022, there was a normalisation and a drop in the prices of international container transport, which affected the weakening of the inflationary pressure on production inputs, however, transport prices on most of the most important trade routes are still above the pre-pandemic level. The strong growth of the US dollar against the euro in 2022 also added pressure on the price level in the euro zone, given that most transactions in international trade are done in dollars. Due to less exposure to the effects of the energy crisis, the much more restrictive monetary policy of the FED compared to the ECB, as well as the perception of the US dollar as a safe currency in times of crisis, in September the EUR/USD exchange rate reached its lowest level since the introduction of the euro.

Graph 1.2: Contributions of Food and Energy Prices to Annual Rates of Consumer Price Change, at December End



The high level of filling of gas warehouses, a very mild winter and the normalisation of distribution chains, as well as high values from the base period, influenced the slowdown of price growth in

the last quarter of 2022. Although inflation in the EU has reached its peak, record low unemployment as well as accelerated wage growth put additional pressure on the European monetary authorities in the direction of an even more restrictive monetary policy. High energy prices have become a significant part of the cost price of a wide range of goods, so it will take months for inflation to return to the ECB's target level, while base inflation² is expected to remain high for a long time to come. According to the latest projections of the European Commission, inflation in the euro zone is projected to be 5.6% in 2023, which is 50 basis points lower than the autumn projections³.

According to information from the most relevant supranational institutions, including the International Monetary Fund (IMF), global economic activity in 2022 turned out to be stronger than was assumed in earlier rounds of projections in 2022, immediately after the outbreak of the war in Ukraine, and with an extraordinary strong inflationary shock. Also, at the beginning of 2023, the European Commission (EC) revised upwards its estimate of economic activity in the EU and the euro zone in 2022. Initially, a recession in 2022 was also projected for some of the countries of our main trade partners. Projections of medium-term economic activity, global, but also in the EU and the region, are often revised, due to a large number of uncertainties. However, as in the case of BH (see sub-chapter 1.2), the prevailing opinion is that 2023 will be challenging due to the cost of living crisis, which will result in a significantly lower rate of economic growth compared to 2022. An intensification of economic activity is expected from 2024 (although all projections include a fairly long list of factors that could result in downward revisions of the projections), but the rates will probably be far below the averages recorded in the years before the pandemic.

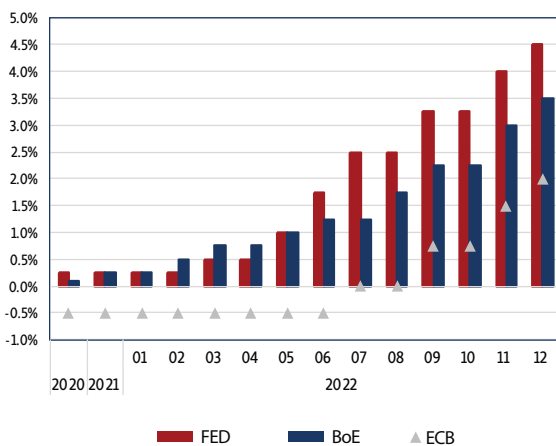
With the strengthening of inflationary pressures from the beginning of 2022, the tightening of the monetary policy of the leading central banks accelerated significantly, thus the process of reducing the monetary incentives introduced during the pandemic intensified. Unlike the FED, the ECB did not change key interest rates during the first half of 2022, and the normalisation of monetary policy continued with the reduction of quantitative easing. In this regard, the ECB first cancelled the Pandemic Emergency Purchase Programme (PEPP) in March and then the regular Asset Purchase Programme (APP) in June. In the same period, the FED already started raising its key interest rates, first in February by 25 bp, then in May by an additional 50 bp and by another 75 bp in June 2022. The ECB increased its key interest rates for the first time in July by 50 bp. Geopolitical tensions and significantly higher global energy and food prices forced many leading central banks to tighten their monetary policies more dynamically than previously expected in the second half of 2022. Thus, in September and October, the ECB increased key interest rates by an additional 75 bp each. In November 2022, the FED also made a decision on another rate increase by 75 basis points, to a range of 3.75% to 4%.

² Base inflation follows changes in the prices of a basket of goods that excludes variable food and fuel costs.

³ European Commission, winter economic forecasts, February 2023.

This decision followed the 75 bp increase in July and September, as part of the central bank's strategy to combat high inflation. With somewhat lower inflation in November, the FED and ECB decided on an increase by 50 bp in December 2022. According to announcements, the ECB is determined to maintain the exchange rate during 2023 in terms of further raising key interest rates at a steady pace. As stated in the official public releases, the restrictive monetary policy will be present until a timely return of inflation to the medium-term target of 2% is ensured.

Graph 1.3: Key interest rates of leading central banks



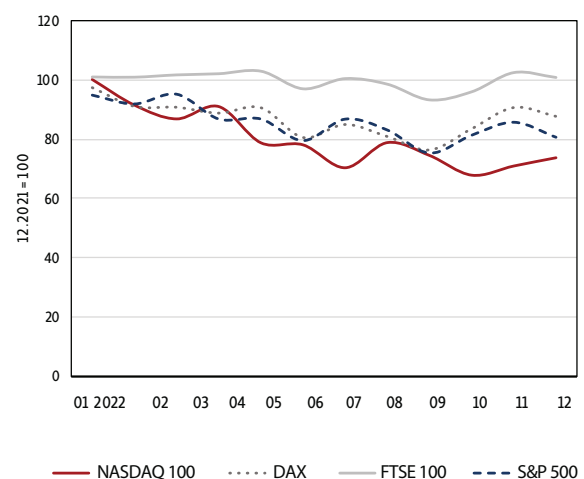
Source: FED, BoE, ECB

In addition to the expected less favourable outlook for global economic growth, further tightening of monetary policies by leading central banks may also increase volatility on the international financial market. In addition to raising key interest rates, reducing the balance sheet of the leading central banks represents another mechanism for fighting inflation. In this regard, the growth of the assets of the leading central banks was interrupted during the second quarter of 2022, which is the result of the announced reduction in the assets of the ECB and the FED. Given that the sudden transition from quantitative easing (QE) to quantitative tightening (QT) entails significant financial risks, the ECB is quite cautious and plans to start with it only after the normalisation of monetary policy is completed. The yields on the bonds of the euro zone countries have already risen significantly in recent months even without the start of the QT process. Given the highly uncertain economic growth, the premature start of QT could currently put additional pressure on the bond yields of the euro zone countries. In this regard, the ECB announced the start of the QT process as from 2023 by phasing out its Asset Purchase Programmes (APP), followed by the same process for the Pandemic Emergency Purchase Programme (PEPP) from 2025 onwards. The FED will also continue to reduce its securities, as described in the FED's Balance Sheet Reduction Plans issued in May⁴. From June 2022, the gradual reduction of the FED's balance sheet will be carried out through restrictions on the amount of the purchase of securities in dollars.

⁴ <https://www.federalreserve.gov/monetarypolicy/May-2022-Federal-Reserve-Balance-Sheet-Developments.htm>

The significant growth of geopolitical uncertainties on the European financial markets and the relatively moderate reaction of the American stock market in the first month since the outbreak of the war in Ukraine significantly reduced the market capitalisation of European stock markets compared to American ones. The course of the war itself, the substitution of Russian goods, a relatively mild winter along with the high level of commodity stocks in the EU, and most importantly the limiting of the prices of Russian energy products, have influenced the change in the economic dynamics and trends in the respective USA and the EU stock markets. At the end of the year, on average, the American stock market lost about 20% of last year's market capitalisation, and the stock prices of technology companies (-33%) included in the Nasdaq 100 index (Graph 1.4) decreased the most. The average annual reduction in the values of European stock indices (DAX, CAC 40 and Euro Stoxx 50) by only 11% is an unexpected and positive outcome, which could be reflected in the growth of the stock market in the first months of 2023. An atypical reaction to the war in Europe was shown by the British stock market, which did not react at all, and even ended the year with a slight growth of 1% (FTSE). The biggest impact on the British financial market was the budget proposal, which provided for the reduction of income tax on the highest wage groups and the maintenance of the budget deficit, which affected the growth of yields on the government bond market in the short term, and contributed to the decrease in the value of the FTSE 100 in September. (-5.4%). The withdrawal of the budget proposals and changes in the executive authority led to a renewed, but only short-lived, growth in the UK stock market. This stock market reacted to the negative consequences of the war to the smallest extent of all major European economies.

Graph 1.4: Trend of the Main Stock Exchange Indices in 2022



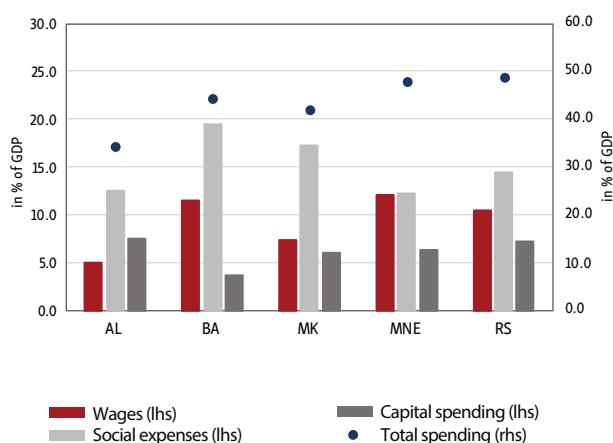
Source: www.ft.com

High inflation has reduced the public debt of most euro zone countries as well as the budget deficit compared to GDP. On the other hand, the press release of a restrictive monetary policy, and then the restrictive monetary policy of the ECB (from July 2022), on average increased the nominal costs of public debt servicing. A general increase in interest rates will already occur at the end of 2021 and the beginning of 2022, when it became obvious that

strong inflationary pressures and accelerated inflation growth would be followed by an extremely restrictive ECB monetary policy. By the end of June, the bond market had already incorporated a part of the expectations regarding the rise in interest rates into the price of bonds. In July, when the ECB raised interest rates less than expected due to rising inflation, the yield on the ten-year bond market fell, only to continue rising again in September until the end of the year. After a very moderate change in interest rates in 2021, all countries of the European Union, regardless of the amount of public debt, went through a period of intensive growth in interest rates in 2022. Yield to maturity rates have returned to the level of 2014, when certain euro zone countries were in debt crisis. On average, the yield on the ten-year bond market of EU countries increased by 204 bp, which is less than the increase in the reference interest rate of the ECB (250 basis points). In terms of yield growth, some Eastern European countries stand out, as well as old members of the euro zone with high public debt (Greece and Italy). At the end of 2022, the lowest yield on the ten-year bond market was Lithuania (0.6%), the highest was Hungary (7.6%), and the average yield at the EU level was 2.4%. In addition to the growth in yields characteristic of 2022, there was also an increase in the spread between yields on German bonds and yields on bonds of almost all other countries.

The total allocations for public consumption of Bosnia and Herzegovina and the countries of the region were additionally intensified after the pandemic period by the outbreak of war conflicts in Ukraine. Public spending, especially in the segment of wages and social allocations, was significant due to the need for financing and easing inflationary pressures. In 2023, allocations for public consumption are still expected to be significant as a percentage of GDP (Graph 1.5). Most of the countries in the region have a large share of social allocations in total public spending, where BH leads in this segment in the region.

Graph 1.5: Plan of Public Spending Allocations in BH and Countries in the Region in 2023



Source: the World Bank, "Western Balkans Regular Economic Report", number 22, autumn 2022

1.2 Report on the state of BH economy

The most significant characteristic of the domestic economy in 2022 was a strong inflationary shock. Consumer price inflation was the highest since it was measured in BH according to this approach, and it is a combination of several factors. None of them are influenced by monetary policy. In the medium term, inflationary pressure is expected to weaken, but inflation will remain above the level of the pre-pandemic decade. Economic activity, measured in both current and constant prices, shows signs of a significant slowdown in 2022. In the medium term, we expect a significant slowdown in growth, but not a recession. Industrial production is still under the influence of relatively strong foreign demand. Activity in the construction industry, especially civil engineering, is on the rise. The characteristics of labour supply and the trend in average real net wages signal a decrease in available real income, therefore the most significant categories of GDP according to the consumption approach.

1.2.1 Real sector

According to the autumn round of mid-term macroeconomic projections of the CBBH⁵ from November 2022 (Table 1.1 below), the projected real GDP growth rate for 2022 is 4.1%. According to currently available information, a slowdown in economic activity is expected in the medium term, primarily due to long-term and strong inflationary pressures that already affect the nominal growth of economic activity in the country, but also among the main trading partners. According to currently available information and data, we do not expect a recession in the medium term. External demand, presented in the models developed and used by the CBBH through the growth of real GDP in the EU, is an important factor in the growth of economic activity in the country. Due to the inflationary shock in 2022 and the expectation that we will not return to the pre-pandemic ten-year average in the short term (see the sub-chapter on prices), we also expect a decrease in real individual consumption, which is the most significant category of GDP according to the consumption approach. The next round of medium-term macroeconomic projections, for the period 2023-2025, will be published by the CBBH in May 2023.

Table 1.1: Medium-term Projections of Selected Macroeconomic Variables from November 2022

	2019	2020	2021*	2022*	2023*	2024*
Changes on annual level						
Real GDP	2.8%	-3.2%	7.6%	4.1%	0.9%	1.0%
Inflation (consumer prices)	0.6%	-1.0%	2.0%	14.4%	6.1%	3.0%
Share in GDP (expenditure approach)						
Individual spending	71.4%	71.3%	69.3%	69.6%	68.6%	69.4%
Government spending	18.8%	19.7%	18.8%	18.9%	19.1%	19.2%
Investments	25.2%	23.8%	27.1%	29.3%	31.0%	33.3%
Net exports	-15.3%	-14.7%	-15.1%	-17.8%	-18.8%	-21.9%

Source: BHAS, official data for the period 201- 2021 at the moment of preparing the projections. The period of the CBBH projections is marked with *.

⁵ The press release is available on the website of the CBBH, https://www.cbbh.ba/data/dokumenti/pdf/Srednjoro%C4%8Dne_projekcije_2022_-_2024_bos.pdf.

At the time of preparation of the Annual Report of the CBBH, official statistical data on the structure and level of GDP according to the production and consumption principle, ending with the third quarter of 2022, were available. Table 1.2 below shows the changes in nominal and real GDP, according to the expenditure and consumption approach, for the first three quarters, in the period 2019 - 2022⁶. The growth of nominal (in current prices) GDP is significant according to both approaches in 2021 and 2022. At the same time, it should be borne in mind that consumer price inflation in 2022 was much higher (so it is realistic to assume that the GDP deflator in 2022 will be higher than in 2021; for the first nine months it was 7.3% according to the expenditure approach, and 10.7% according to the production approach⁷), which already indicates a decrease in the volume of production, compared to the previous year, and in the case of nominal GDP. Real GDP grew at significantly lower rates than nominal GDP, according to both approaches.

Table 1.2: Structure of Nominal and Real GDP, for the First Three Quarters, in the Period 2019 – 2022
billion KM

			2019	2020	2021	2022
expenditure approach	current prices	Total	27.37	26.85	29.72	33.56
		Annual change	5.0%	-1.9%	10.7%	12.9%
		Household spending	19.24	18.69	19.85	22.18
		Government spending	5.17	5.42	5.67	6.30
		Gross investments	6.68	6.30	7.49	10.03
		Net exports	-3.72	-3.56	-3.29	-4.95
	prices from 2015	Total	26.01	25.71	27.18	28.26
		Annual change	2.3%	-1.2%	5.7%	4.0%
		Household spending	18.48	17.99	18.73	19.43
		Government spending	4.91	4.98	5.16	5.24
		Gross investments	6.54	6.29	7.25	8.58
production approach	current prices	Total	26.55	25.68	28.75	33.54
		Annual change	5.7%	-3.3%	12.0%	16.7%
	prices from 2015	Total	24.50	23.65	25.41	26.59
		Annual change	3.1%	-3.5%	7.4%	4.6%

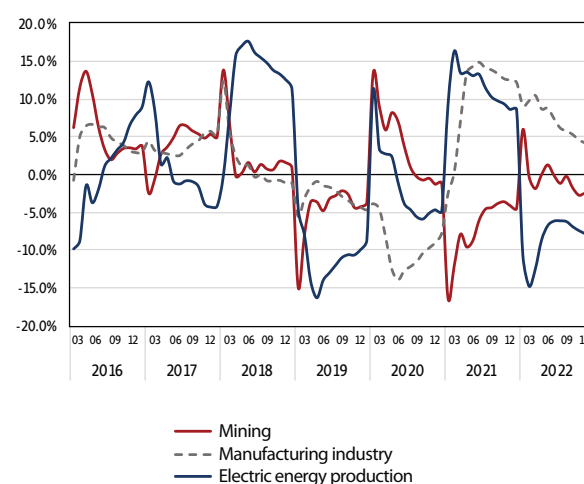
Source: BHAS

I. Industrial production and construction

Industrial production in 2022 increased by 1%, compared to 2021. Although the increase seems very modest, the base effect should be taken into account, because a record increase of 9.8% was recorded in 2021, which is, among other things, the result of an extraordinarily low base from 2020 (a decrease of 1.1%). Trends in the groups of activities that make up industrial production (Graph 1.6 below) are relatively unchanged compared to previous periods. The strong growth in activity C (Manufacturing industry) certainly stands out, which, at least judging by the volume of production, is in a better position than in the immediate pre-pandemic year (a decrease of 3.7% was recorded, after a period of significant growth slowdown). The growth of the manufacturing industry can also be explained by the increased demand for domestic products abroad

(more information in the sections on the external sector: the structure of foreign trade exchange, and the balance of payments, the category of services for finishing and processing goods for export), because the production of intermediate products and non-durable products for consumer spending recorded strong growth in 2022 as well. The weight of the manufacturing industry in the index of industrial production (January 2022) was 72.1%.

Graph 1.6: Rates of Change in Groups of Industrial Production Activities, Period after Period



Source: BHAS

Activity E (Production and supply of electricity and gas) has been exhibiting very cyclical trends for years: a year of exceptionally strong growth (where a significant, permanent increase in the level in the first quarter is noticeable); followed by a year of decline in volume, due to the base effect, then growth in the first six months, and slowing down in the second half of the year. The same pattern is noticeable in earlier periods, which are not included in the graph. Obviously, it is a fixed cycle that is strongly influenced by certain factors, such as: activities in the domestic mining industry (a certain synchronicity is observed between the rates of change on an annual level between these two activities); possibly, characteristics of electricity export contracts⁸; certainly, climatic conditions to a certain extent. The weight of activity E in the index of industrial production (January 2022) was 19.1%, so the modest growth of industrial production is understandable, despite the growth of the manufacturing industry.

For years, the mining activity has shown a trend of slowing growth, with strong cyclicity within the year: In the first quarter, as a rule, strong growth is recorded compared to the same period last year, which then slows down until the end of the year. The weight of mining activities in the index of industrial production (January 2022) was 8.8%. The decline in the volume of production in this activity in 2022 also neutralised the growth of the manufacturing industry in industrial production.

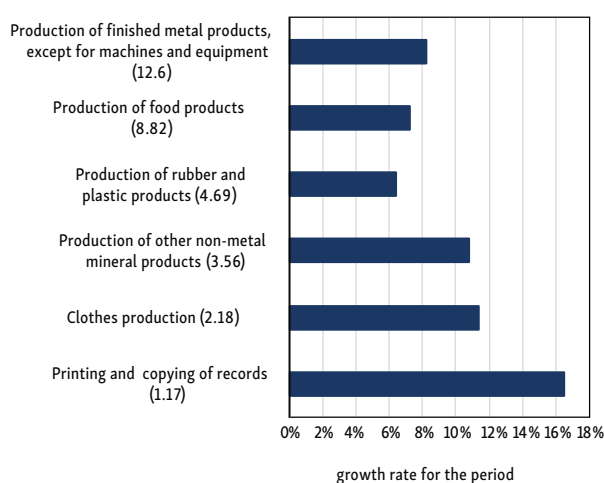
⁶ BHAS Press release: Gross domestic product, expenditure approach, quarterly data (5 January 2023), and BHAS Press release: Gross domestic product, production approach, quarterly data (31 December 2022).

⁷ The values for the first three quarters of 2021 were 4.2% and 4.1%, respectively

⁸ In terms of quantity, because according to BHAS data (Industry Turnover Index), the Energy group (which also includes the production and distribution of electricity) recorded a sales growth of 4.8% on the foreign market, and 1.8% on the domestic market.

The graph below shows the activities in the manufacturing industry that most strongly contributed to the growth of industrial production in 2022, either because of their importance for the industry (size of weighting), or because of the increase in volume. The sum of the weights (in brackets next to the series name, for January 2022) of the six industries shown on the Graph was 33.0% in the total index of industrial production. Some of the activities of industrial production (such as tobacco production, textile production or the production of other means of transport) recorded a dramatic decline in 2022, but their weighting in industrial production is very low, therefore their influence on the volume index was also weak.

Graph 1.7: The Most Significant Activities for Manufacturing Industry Growth in 2022

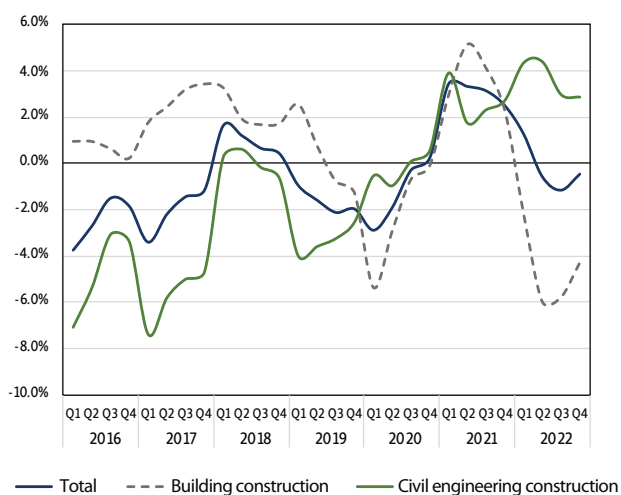


Source: BHAS

Note: weights from January 2022 are in brackets by the names of series

The construction industry in BH recorded a decline in 2022 (Graph 1.8 below), which does not seem intuitive, bearing in mind the prices of residential real estate in new construction, or the intensity of civil engineering works, especially on sections of the corridor V-c motorway. There are several important economic and methodological factors that influence the perception of the intensity of the construction industry in BH.

Graph 1.8: Changes in Construction Industry Intensity, Period after Period



Source: BHAS

Due to the base effect (very low volume in the first year of the pandemic), the high-rise construction industry recorded strong growth in 2021, so that in 2022, the intensity of construction work would decrease by 4.3%. According to BHAS data, the number and the surface area of completed housing works⁹ in 2022, was slightly below the pre-pandemic level, with a significantly higher number of unfinished apartments (+18.8% compared to 2019). Both the number of completed works and the surface area in housing construction were higher compared to 2021, but this increase in surface area was obviously achieved with a lower number of man-hours on construction¹⁰. The index of producer prices in construction (residential construction) recorded a significant increase in 2022, compared to the previous one (+19.8% in the fourth quarter for the total index), in all types of works¹¹. This information leads to the conclusion that disruptions in international markets in the prices of basic building materials resulted in an increase in producer prices in housing construction, which, however, did not affect the demand for newly built apartments in 2022. At the same time, the trend in the index of high-rise construction does not necessarily reflect the scope of works, and may lead to a wrong conclusion about the intensity of high-rise construction, because a lower number of working hours on construction may be a consequence of either higher productivity of employees, or the completion of a larger number of previously started works on new buildings, reconstructions, repairs and maintenance of existing buildings. Also, the structure of the index should be taken into account, in which by far the largest weight is given to architectural and construction works, which, as a rule, require less physical work than other types of work in high-rise construction. Architectural works are most likely included in M (Professional, scientific and technical activities) activities in labour market statistics, where the average net wage was among the highest in December 2022. On the other hand, the average net wage in the construction industry, in December 2022, was the second lowest in BH.

In the civil engineering industry, an increase in the volume of production has been recorded since 2021 (Graph 1.8 above). The growth of civil engineering in all four quarters of 2022, compared to 2021, was 2.9%. As the methodology for calculating the index, according to the relevant BHAS metadata, is based on the hours of workers on construction sites, the growth of the index can mean several things. The first is that public works have been intensified in the last two years, which depend on the availability of contracted credit funds, the adoption of a consolidated budget framework in the country, and the speed of implementation of related tender procedures. Another factor is the greater representation

⁹ Only new apartments built by construction companies included in the quarterly reports are covered.

¹⁰ According to the metadata for the BHAS Construction Production Indices, Construction Volume Indices are based on hours worked by workers on construction sites.

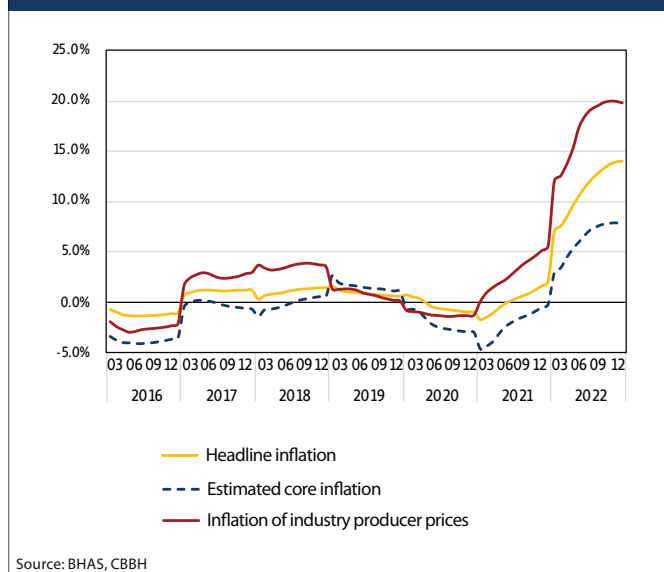
¹¹ Architectural and construction works (+20.9% in Q4 2022, compared to the same quarter last year; weight in the overall index 80.58%), plumbing and sewage works (+15.1% in Q4 2022, in compared to the same quarter last year), electrical installation works (+16.8% in Q4 2022, compared to the same quarter last year), and mechanical installation works (+13.9% in Q4 2022, compared to the same quarter last year).

of domestic companies as main contractors¹². The third factor can be the phase of complex public projects. Namely, stages in works that require less physical work, and the use of mechanisation in stages, such as the design of complex buildings (tunnels, bridges, etc.) can result in the perception of a smaller volume of production in civil engineering. As in the case of residential construction, the prices of construction works in civil engineering have increased significantly compared to 2021 (11.2% for the total index, and growth was recorded for all types of buildings: main roads, highways, bridges, tunnels).

II. Prices

The inflationary shock in 2022 was extremely strong (Graph 1.9 below). Since inflation in BH is measured by the consumer price index (2005), no higher annual growth has been recorded. The estimated base inflation indicates that price growth was not recorded only in categories that, traditionally, are under the influence of strong oscillations on international markets, such as food and energy¹³. Also, the prices of industrial producers rose significantly above the average consumer prices (Total inflation series is shown on Graph 1.9).

Graph 1.9: Inflation in BH, Period after Period



The growth in the prices of industrial producers for the domestic market in 2022 was 19.2%, and for the non-domestic market 20.8%. As expected, inflation measured by the GDP deflator (production approach) was also high, but still considerably lower than the inflation of industrial producers' prices for the domestic market. According to official BHAS data, the prices of goods and services produced in the country (all of them, not only of industrial producers), for the first three quarters of 2022, increased by 10.7%.

In the autumn round of medium-term macroeconomic projections, which were based on data available until the beginning of October, and whose results we announced in mid-November, we expect inflation of 6.1% in 2023. The current CBBH's estimate of inflation for 2024 is 3%. Our nowcast model of current economic activity and inflationary pressures indicates a high probability of weakening inflationary pressures during the first half of 2023. According to preliminary and incomplete estimates from November 2022, it was expected that annual inflation in the first half of 2023 would amount to 6.8%, with a significant risk of a possible upward revision. In addition to uncertainties related to trends in the prices of goods and services on international markets, the main sources of risk for projections are uncertainties related to the growth of input prices, such as electricity prices and labour costs in the country.

Text box 2: Changes in the trends of various price indices in Bosnia and Herzegovina

Graph 1.9 shows three different measures of inflation in Bosnia and Herzegovina. The public usually deals with the official, total, inflation, which represents the annual change in the level of general consumer prices. It is often a subject of discussions and blanket assessments are made about the correctness of the official consumer price index, which is compared with, for example, information about the value of the union consumer basket, or the subjective perception of the impact of price increases on one's own available income. Each measure of inflation is accurate, but they measure different things.

The GDP deflator measures the price inflation of goods and services produced in the country, including exported goods. In the case of Bosnia and Herzegovina, the inflation measured by the deflator for the first nine months (10.7%) was significantly below the inflation measured by the change in average consumer prices for the same period (13.3%). In other words, the average prices of goods and services produced abroad, consumed by consumers in BH, were higher than the average prices of goods and services produced in the country. Despite all the differences in the coverage of price indices, producer prices for the domestic and non-domestic markets had a uniform trend (Graph 1.10 below), and their growth has already been noticeable since 2021¹⁴ Inflation

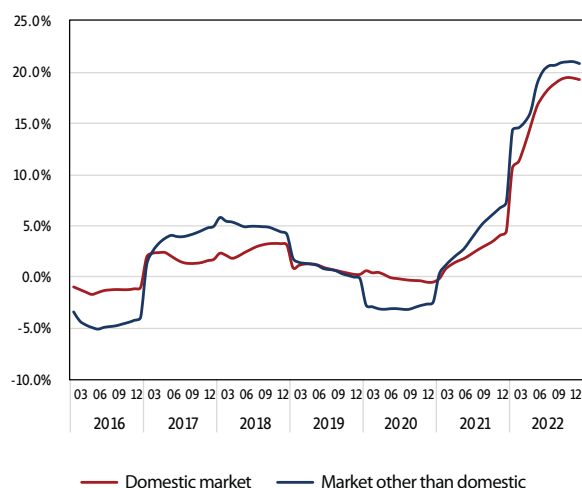
¹² For activities in civil engineering, for which funds from international creditors were used, there are very strict conditions regarding the competencies of the main contractor, primarily experience on similar projects. Since domestic companies were mainly subcontractors in the earlier years, with the passage of time they also met the conditions to apply for the position of main contractors themselves. By far the largest share in the structure of the producer price index in civil engineering is tunnel construction (69.1%). The high weight indicates that domestic companies, increasingly, participated in the creation of architectural solutions for technically very complex and demanding jobs in civil engineering.

¹³ Base inflation was estimated on the basis of the official indices of the price sections in the consumer price index, and the official weights for each of them. The base inflation index is reconstructed in such a way that the official consumer price index is reduced by the value of the index for the price categories related to food, alcoholic beverages and tobacco, and energy products. Weights for the stated three price categories, in 2022, were: Food 29.13%; Alcoholic beverages and tobacco 4.95%, and; Electricity, gas and other energy sources 11.51%. There was no recalibration of the weights of the price components in the base inflation, so that their sum corresponds to 100.

¹⁴ The selling price of the producer of industrial products on the domestic market is the price at which the producer sells his products to regular customers on the domestic market in the largest quantities, loaded franco on a wagon (truck) in the place of the producer. This price includes recourses if the manufacturer realizes them, and excludes trade rebates and discounts granted by the seller to the buyer, VAT and excise taxes. The price of the producer of the product for the foreign market is the price at the national border (eng. FOB; free on board), which means that the seller pays for the transportation of the goods to the port of delivery and loading costs, and the buyer pays for transportation, insurance, unloading costs, and transportation from the destination port to final place of use. The mentioned price excludes VAT and similar taxes directly related to sales, as well as all taxes and levies on products and services that companies pay, while any subsidies received on products are added.

measured by producer prices for the domestic market (19.24%, period to period), for the first nine months, is higher than the GDP deflator, because the deflator is a broader category, which also includes other products and services, not only those classified in activities C (Extraction of ores and stones), D (Manufacturing industry), and E (Production and supply of electricity, gas and hot water).

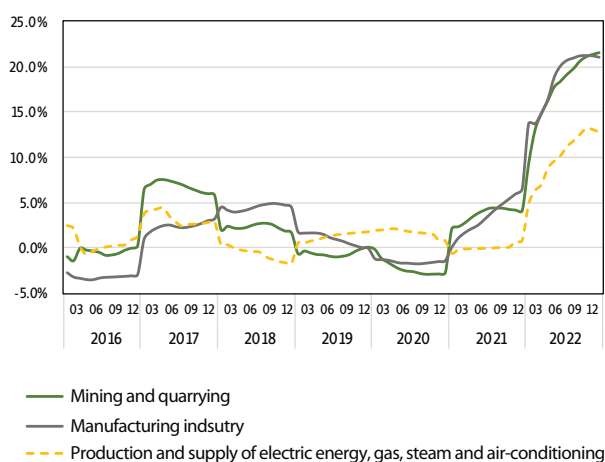
Graph 1.10: Producer Price Inflation in BH, Period after Period



Source: BHAS, CBBH

From the trends in producer price inflation for the domestic and non-domestic markets, it can be concluded that there are common factors among the inputs in production, which influence the growth of product prices, regardless of the target market. Average producer prices, in the activities of ore and stone extraction and manufacturing industry, started to rise already in 2021 (Graph 1.11 below).

Graph 1.11: Producer Price Inflation in BH by Activities, Period after Period



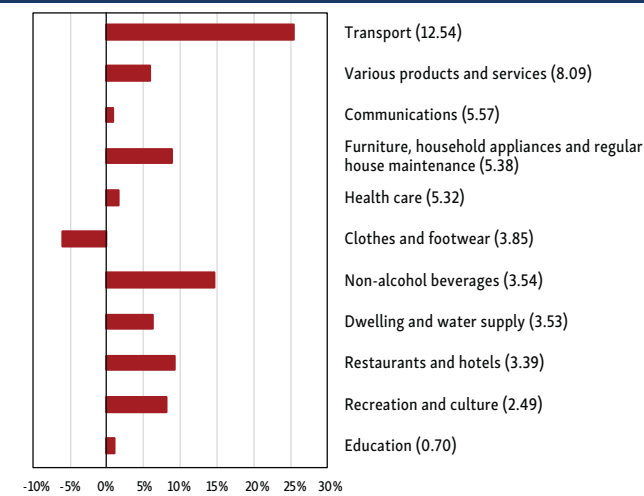
Source: BHAS, CBBH

The trend of price growth in these activities is additionally stimulated by a strong increase in prices, in 2022, in the production and supply of electricity, gas, steam and air conditioning. This certainly does not mean that the prices of domestically produced goods in activities B, C and D are higher than foreign ones (probably they are not, bearing in mind the value of exported goods and services in 2021 and 2022; see part on the Payments Balance in the Annual Report), but only that the growth of domestic prices was accentuated in the last two years, especially in 2022.

The growth of domestic producer prices is not the result of only one factor. According to BHAS data, in activities B, C and D, the average producer prices for the domestic market, in 2022, increased by 19.3%, 21.7% and 11.9% respectively. The prices of electricity on the domestic market were still significantly administered in 2022, the price section is not disaggregated, so it is not possible to distinguish which part of the mentioned annual increase of 11.9% is due to the rise in the price of electricity, and which part is the price of gas on the international markets. The prices of services in the road transport of goods (which is the dominant form of transport in BH) have grown significantly since the fourth quarter of 2021. In the third quarter of 2022, on an annual basis, the increase amounted to 27.7%. Finally, labour costs also increased significantly in 2021 and 2022 in production activities (see the sub-chapter on trends in the labour market). It should be borne in mind that the average net wage in the manufacturing industry, which, according to official statistical data, employed a fifth of all employees in BH in December 2022, is still significantly below the average net wage in BH (78.5% in December 2022). In other words, although there are indications of a wage spiral and inflation, the price of labour in the manufacturing industry has been very low for a long time, and adjustments in the level of the average wage were inevitable, especially in an environment of increased outflow of qualified labour.

Base inflation is estimated to track the impact of changes in the prices of goods and services, domestically produced and imported, consumed by the average household, which are not subject to strong shocks in international markets. Due to less coverage, primarily of goods and services the prices of which can fluctuate, and also due to the participation of imported goods and services, base inflation is, in most cases, lower than inflation measured by deflators and the total inflation as well. On the other hand, the growth of base inflation, as a rule, is an indication of a more permanent weakening of purchasing power, if it is not accompanied by an equal growth of nominal incomes, because it is unlikely that these prices will fall significantly, once they rise. Graph 1.12 below shows the price changes from the price sections that make up the estimated base inflation index in 2022. The sum of their individual weights, based on the structure of household consumption in 2021, amounted to 54.4%. In other words, it was estimated that slightly more than half of the total changes in the level of the index of average consumer prices, in 2022, were caused by changes in the price sections that determine base inflation.

Graph 1.12: Changes in Average Prices in Categories Impacting Core Inflation, Compared to 2021



Source: BHAS, CBBH

Note: The number in parentheses, in addition to the name of the price section is the weight for 2022. In the case of the Housing and Water section, the Electricity, Gas and Other Energy (ponder category in the total consumer price index of 11.5%) is exempted.

From graph 1.12 above, several facts stand out. The first is that services that are still traditionally under the strong influence of administered prices (Education and Health due to the high share of public institutions in the health system, but also Communications due to the significant share of public ownership in telecom operators) recorded a very modest increase in prices compared to the previous year. The second is that the price section Transportation contributed the most to the growth of consumer prices in base inflation, which, erroneously, could be mostly attributed to the impact of shocks on international oil derivatives markets. In fact, the share of the Use of Personal Transport Equipment component was as much as 9.49% (out of 12.54 of the total price section), and the weight on the Transport Service component was only 1.45%. In other words, the purchase and maintenance of personal transport equipment, and vehicle technical inspection services, contributed significantly to overall and headline inflation in BH, and the reasons are numerous, from stricter standards for the import of used vehicles, the cost of spare parts and repairs, to disruptions in global production and supply chains for the delivery of new vehicles¹⁵. Finally, it should be emphasized that the high share in the Various Products and Services section is the result of the high participation of the Personal Care component (4.46%), in which the prices of the associated products and services, in 2021, increased by an average of 9.6%. The prices of financial services, which also belong to this price section, grew at a more modest rate, and their weight was significantly lower.

Total inflation is the number most often cited by the public when talking about the growth of average consumer prices. As in the case of base inflation, the index is created based on a wide range of domestically produced, as well as imported, goods and services consumed by the average resident. Apart from the price sections on the basis of which the price index of basic inflation is calculated, the prices of goods and services that are subject to strong oscillations in the markets, such as the prices of food,

tobacco and alcoholic beverages, and energy products, are also taken into account. In 2022, these product categories in Bosnia and Herzegovina grew by 22.3%, 1.7% and 16.5%, respectively. It is important to point out that the price of food, both domestic and imported, is influenced by a very wide range of factors: from seed material and procurement of new animals; through raw materials necessary for cultivation, including irrigation, fertilizers and animal feed; to the costs of cultivation and breeding (electricity; labour force, transport and mechanisation costs for land cultivation), and climatic factors.

Due to the low available income, it is precisely the weighting for the Food category (29.13%) that is by far the most significant from the point of view of measuring inflation in the case of Bosnia and Herzegovina, but also of most countries in the surrounding area. Because of this, it happens very often that the subjectively perceived inflation is significantly higher than the official one. One of the reasons, especially in periods of long-lasting and strong inflationary pressures, is that real available income decreases¹⁶. If, on average, 22% more is spent on food, compared to the previous year, while the income remains unchanged, or does not grow at the rate of inflation, it is certainly difficult to meet even the previous basic needs (for example, replacing the current personal vehicle), or to afford goods and services resulting from lifestyle changes (higher or unforeseen costs of health services due to illness or aging, or equipping children who have reached school age).

The change in the price of the union consumer basket is one piece of information that is often used to argue that inflation is understated. However, as informative as the structure and price changes of the union consumer basket may be, it must be taken with a grain of salt. The first reason is that, in the case of Bosnia and Herzegovina, there is no single trade union basket, and those whose value is measured are not mutually harmonised. There is no official, published data on the structure of the basket and the weights of the goods and services it includes, just as there is no published information on what the average household is covered by. Most often we talk about a family of four, and the number of such families is decreasing due to demographic changes. According to the 2013 census, the number of households with four members accounted for 20.7% of the total number of households, and the numbers of households with one and two members were higher. Finally, significant differences in the consumer basket may also exist due to the geographical distribution of households (for example, rural and urban households may have a significantly different consumer basket), but also the available income of the household (one or more employed or helping members in a family of four).

It follows from everything stated in the text box above that when commenting on inflation, or calibrating measures to suppress it, it is necessary to understand what drives inflation in a certain period, and what type of inflation is in question. In 2022, there were no indications that inflation in BH was, to a significant extent, caused by uncontrolled consumption due to favourable financing conditions (demand side inflationary shock). Real estate prices are rising, but they are not reflected in the consumer price index,

¹⁵ No weighting is available for the fuel and lubricants category for the Use of Transport Equipment component, and this type of goods could not be excluded from the estimated value of base inflation.

¹⁶ See the text box entitled: The impact of inflation in the context of available income from the 2021 Annual Report of the CBBH.

unless they increase rent costs. According to BHAS data, in the case of Bosnia and Herzegovina, the rent increased by 5.4% in 2022, with a weighting in the consumer price index of only 0.91%. Transport prices are rising, but due to the rising costs of using personal transport equipment. If a permanent reduction of the impact of global oil shocks on inflation and available income is being considered, in the long term, relatively weak alternatives to personal transport, especially outside the larger cities, or the relief of road transport of goods and passengers should be considered. Also, the text box demonstrates how a significant part of the prices on the domestic market is still administered. Such a policy currently results in inflation lower than one that would be recorded if prices were freely formed on the market. Again, some structural challenges, such as the characteristics of the domestic labour market, or pressures to further align electricity prices on the domestic market with trends on the international market, may result in further strengthening of inflationary pressures.

III. Employment and wages

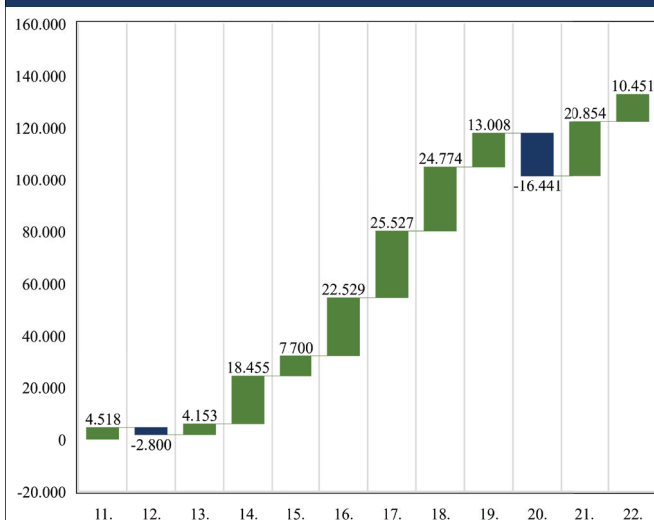
The basic characteristics of the labour market, on the supply side, in 2022 are relatively unchanged compared to previous years: low activity of the working-age households, which, to the greatest extent, has completed secondary vocational education and special training, with very high youth unemployment, including households over 50 years of age as well. According to the ILO methodology, the unemployment rate was below 15% for the first time (14.8% in the third quarter of 2022). However, without detailed information on the number of able-bodied persons who left the country for employment abroad¹⁷, with these characteristics of the labour supply, we cannot positively claim that the situation on the labour market is significantly better compared to the pre-pandemic period.

Of the total number of able-bodied people (BHAS data for the third quarter of 2022, according to the Methodology of the International Labour Organisation - ILO), 1.52 million (52.7%) of them were inactive (unemployed households that is not actively looking for a job). According to the same source and methodology, the highest activity rate of the households was in the 25-49 age group (76%), while more than half of the working age households in the 50 to 64 age group is inactive, as well as 72% of the households under 24 years of age. According to the qualifications, the largest share of the inactive households was among people who had elementary school or less. The inactivity rate among the working-age households with completed secondary school and special training (the most significant share of the working-age households), in the third quarter of 2022, was 43.2%. Compared to the first three quarters of 2021, the number of inactive, able-bodied households increased (+1.5%), and the activity rate decreased (-97 bp).

¹⁷ There are no perfect labour market statistics anywhere. Even in the EU countries, due to the mobility of the labour force, it is not possible to determine with complete reliability what the real unemployment rate is. Some able-bodied people can even claim that they are on a tourist trip, or visiting relatives and friends in another country, and that they work seasonal jobs, or contract jobs for a shorter period, or an incomplete work week in the country of destination. However, there has not been a households census in BH since 2013, and we have no reason to doubt that the demographic trends are at least as bad as in the surrounding countries.

According to BHAS data, the strong growth of economic activity had a positive effect on the number of employees in 2022 (Graph 1.13). Among those employed in the third quarter, the most significant participation was made by traders and service workers (21%), and artisans and related professions (17%). The participation of machine and device operators, industrial manufacturers and fitters (10.3%), and those employed with basic-simple occupations (11.3%) is not negligible either. All these are occupational groups with wages around the national average, or lower, whose quality of life is most affected by high and persistent inflation.

Graph 1.13: Accumulated Number of Employees from the Beginning of 2011

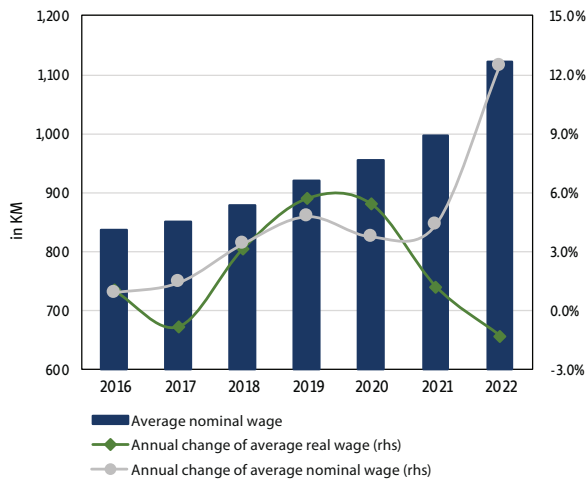


Source: BHAS

In 2022, the growth trend of the average nominal net wage intensified (Graph 1.14), which is partly influenced by the increase in the minimum wage in RS, but also by increasing trade union pressure aimed at improving the standards of the households. The labour market was characterised by an increase in nominal wages in all activities, except financial activities and insurance activities¹⁸. On the other hand, due to an exceptionally strong inflationary shock, a decline in real wages was recorded, on an annual basis in December, in as many as seven industries, which employed 25.7% of the total workforce in December 2022, according to BHAS records. In two of them, the average nominal wage was below the average for the overall labour market.

¹⁸ The average net wage paid in Financial and Insurance business activities in December 2022, despite the decrease on the annual level, is still the highest. It is also worth noting that the heterogeneity of the average net wage within individual industries is significant. For example, the average net wage in the manufacturing industry amounted to KM 934 in December, and within it, it was the lowest in the field of clothing production amounting to KM 654 and the highest in the production of basic pharmaceutical products and pharmaceutical preparations, amounting to KM 1,747. Consequently, the conclusions about the possible improvement of standards, or the quality of life based on the average for the industry, may be distorted.

Graph 1.14: Average Annual Net Wages

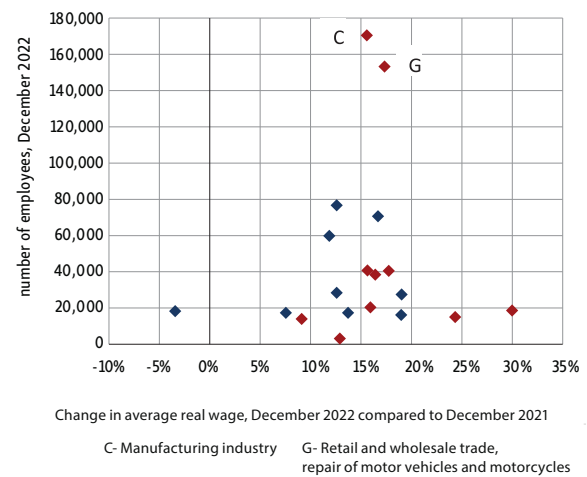


Source: BHAS.

Note: Real wage is adjusted with average consumer prices. Average annual wage means arithmetic mean of average wages per months.

In theory, when there is strong pressure on the growth of nominal wages due to the growth of inflation, it results in a feedback loop, and further strengthening of inflationary pressures. The average nominal net wage in December 2022 was higher by KM 148 (14.2%) compared to December 2021. Consumer price inflation in 2022 amounted to 14.0% (14.7% December 2022 compared to the same month of the previous year). The highly correlated growth of the average nominal wage and inflation in 2022 may lead to the conclusion that there are elements of a spiral between wages and inflation. However, in a significant number of industries where a significant increase in nominal wages was recorded compared to December 2021, wages were still below the average for the economy as a whole even after this increase (Graph 1.15 below). If this information is viewed in the context of frictions on the labour market, primarily the departure of the working-age households, and the high rate of inactivity of the working-age households, it is possible that the increase in the nominal wage occurred even without significant union pressure. In addition, of the industries marked with a black rhomb in the graph below, only two that employed the largest number of workers in December 2022 could significantly affect the average wage: Manufacturing industry, and Wholesale and Retail Trade; repair of motor vehicles and motorcycles. In both industries, a significant dispersion in average wages for different groups is noticeable, and it is quite possible that employers, through an increase in the nominal net wage, tried to keep the current workforce. On the other hand, the growth of inflation in BH was influenced by several factors in parallel (see the sub-chapter on prices), and there are not enough arguments to support the claim that the growth of labour costs is one of the dominant factors in the growth of inflation.

Graph 1.15: Number of Employees and Change in Average Nominal Net Wage by Activities



Source: BHAS, CBBH

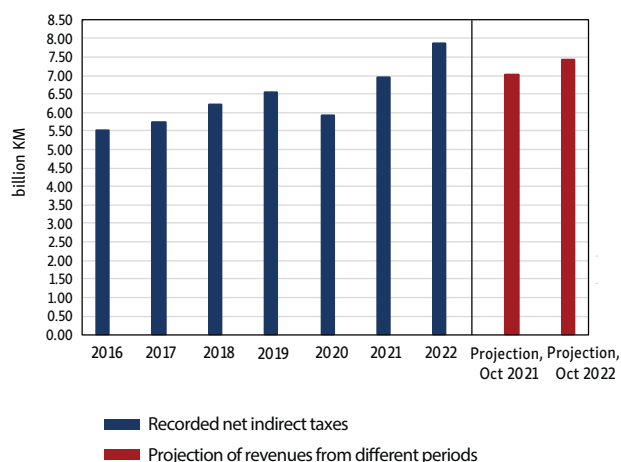
Note: Red mark applies to the industries in which the average wage in 2022 was under the average for BH. They employed 61% of the total number of employees in December 2022.

1.2.2 Fiscal sector

Fiscal indicators point to growth in both income and expenses in 2022, which can be explained by a general rise in price levels. Strong inflationary pressures were a great challenge to all levels of government in Bosnia and Herzegovina. Government spending in the form of higher nominal allocations for pensions, wages in the public sector, as well as one-time cash payments to vulnerable categories was the fiscal sector's response to the inflationary shock. Due to the strengthening of current state spending, there were no major investments, as well as withdrawals of funds from foreign creditors under concession conditions. Although the public investment strategies in both entities were aimed at intensifying investments in infrastructure projects and the energy sector, most of the planned public investments in 2022 were not realised. In this sense, public investments have recorded a continuous decline in the last two years. In the first three quarters of 2022, a total of KM 212.9 million worth investments was realized, which is KM 19.4 million less than the previous year.

The strong growth of the general price level, the increase in imports and the recovery of service activities in tourism, as well as the growth of nominal wages, caused a significant increase in net revenues from indirect taxes (Graph 1.16). The amount of collected net revenues in 2022 (KM 7.88 billion) is the largest since the establishment of the indirect taxation system in Bosnia and Herzegovina. Compared to the previous year alone, this amount increased by KM 939.1 million or 13.5%.

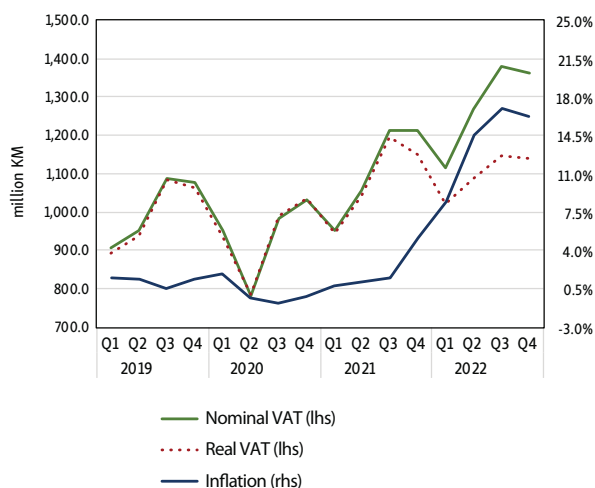
Graph 1.16: Indirect Tax Revenues



Source: Indirect Taxation Authority. Macroeconomic Analysis Department of the Governing Board of Indirect Taxation Authority (MAD Bulletin no.209/210, November-December 2022).

The record growth of total revenues was led primarily by the growth of value added tax (VAT), as the largest item in the revenue structure. Net revenues from VAT amounted to KM 5.12 billion in 2022, which is 15.7% more than the previous year. The main factor of the stated income growth on this basis is the strong inflationary pressure that was recorded throughout the year. In addition, there was an increase in imports, as well as a recovery in tourism. A marked increase in the general level of prices led to an increase in prices that make the tax base for calculating VAT. As a result of the above, KM 730.5 million (16.6%) more was collected in the nominal amount based on VAT on an annual basis (Graph 1.17).

Graph 1.17: Inflation Impact on the Growth of VAT Revenues



Source: BH Statistics Agency, Indirect Taxation Authority, CBBH

In addition to VAT revenues, excise revenues have a significant share in the total revenues from indirect taxes and their contribution to the growth of total revenues was not negligible, i.e. it was around 11.2% in 2022. The total collection of excise duties in 2022 recorded a growth of 7.1% compared to the previous year. The

mentioned increase in total net excise duties was achieved primarily due to the increase in excise duties on tobacco. There were initiatives for a temporary suspension of the collection of excise duties on petroleum products, but it was not implemented. Net revenues based on tolls recorded an annual decrease (4.2%), which can be explained by the lower number of trips due to rising prices. Customs revenues are closely related to imports, so the strong growth in imports influenced the growth of customs revenues in the amount of KM 107.6 million (33.2%) compared to 2021. The growth of income on this basis is linked to the growth of prices of energy, raw materials, food and other imported goods.

Despite the record revenues, a deficit was planned in the entity budgets for 2022, due to a significant increase in expenditures caused by inflationary pressures and the implementation of government measures to help vulnerable categories.¹⁹ The Government of Republika Srpska rebalanced the budget on two occasions (in May and October 2022). The second budget rebalancing was by KM 486 million higher than the original budget planned for 2022, while the second rebalancing represented an increase of KM 128 million (2.9% compared to the first rebalancing). The second rebalancing of the Republika Srpska budget for 2022 amounted to KM 4.51 billion, of which the RS Government directed KM 477 million to the households in response to inflationary pressures and mitigating their consequences. The aforementioned budget rebalancing was carried out on the basis of revenue growth, which, compared to the first rebalancing adopted in May, was higher by KM 471 million, which is the result of high inflation, an increase in the coefficient of distribution of income from indirect taxes, as well as an increase in economic activity that was accompanied by a high coverage of imports by exports. On the other hand, the Government of the Federation of Bosnia and Herzegovina did not rebalance the budget for 2022, but the plan for both income and expenses was revised upwards compared to the original plan from 2021, based on the strong growth of budget revenues of 7.4% for the FBH²⁰. From the aspect of expenses, the two largest items within government spending, allocations for social benefits and wages of employees, recorded significant growth in 2022 (KM 713.5 million for the first three quarters of 2022). There are already implemented and planned increases in pensions, wages and one-time aid measures for vulnerable categories of the households. As a result, during 2022, pensions in the Federation of BH increased three times, the first time by 7.3% (April 2022), the second time by 3.5% (June 2022), while the third increase in minimum pensions by 5% (November 2022). Also, during September and October 2022, the Government of the Federation of Bosnia and Herzegovina paid a one-time financial support of KM 100 to pensioners, beneficiaries of veterans' benefits as disabled persons and civilian victims of war (a total of 530,000 beneficiaries). The Government of the Federation of Bosnia and Herzegovina also paid one-time assistance of KM 100 each to 270,000 unemployed persons. As for energy sources, the FBH Government made a decision to

¹⁹ <https://fbihvlada.gov.ba/hr/mjere-vlade-fbih-u-borbi-s-inflacijom>;
<https://www.vladars.net/sr-sp-cyrl/Pages/default.aspx>

²⁰ Document of the framework budget of the Federation of Bosnia and Herzegovina for the period 2022-2024, May 2021. Global framework of the fiscal balance and policies in BH for the period 2022-2024, March 2022.

subsidise electricity bills for socially vulnerable categories for five months from the budget in the total amount of KM 6.5 million. In addition to the aforementioned increases, the FBH Government made another pension increase by 11.1% in January 2023. At the same time, in Republika Srpska, pensions increased by 10% (May 2022), while pensions for January 2023 increased between 13-14%. By rebalancing the budget, the Government of Republika Srpska established a 10% increase in the gross wages of employees in the public sector, also from May 2022. In addition to the foregoing, the Republika Srpska Government also paid a one-time aid of KM 100 to veterans, pensioners and young people in July 2022.

At the time of drafting the Report, the last available projections of revenues from indirect taxes for the year 2023 of the Indirect Taxation Authority were those from October 2022, which projected a growth of 2.9% on an annual basis or 17.2% of the projected nominal GDP value. The risks to the realisation of these projections are significant, primarily due to the unknown and uncertainty regarding the war in Ukraine, then possible changes in the policy of indirect taxation (differentiated VAT rate, temporary abolition of excise duties on derivatives), and the inadequate fight against the black market of tobacco products after completing harmonisation of the tax burden on cigarettes in BH with EU standards.

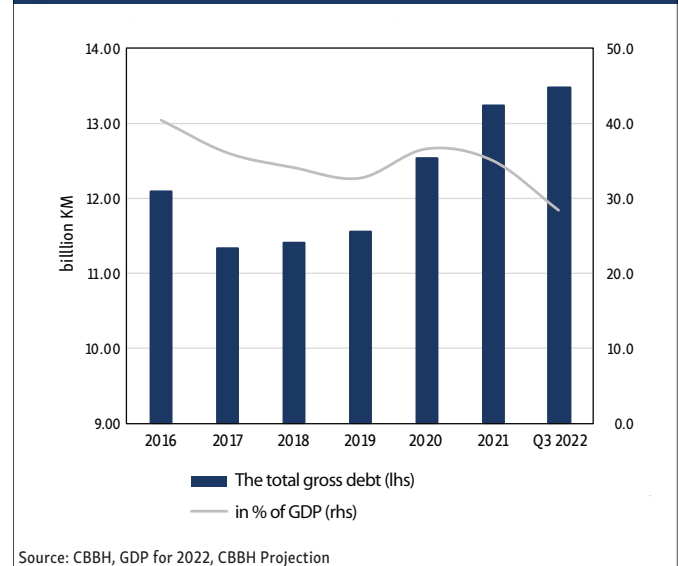
Inflationary pressures that required governments to react in the form of mitigating the negative consequences for the households made governments focus more on current and less on capital spending. The major engagement of funds approved for infrastructure projects and projects in the electric power sector in accordance with the Public Investment Programme of BH for the period 2023-2025 has been suspended²¹. In accordance with the foregoing, the effects of public investments on the overall economic activity were lacking.

Entity budgets for 2023 have been adopted and reflect higher financing of current and lower capital expenditure. The budget of the Federation of BH for 2023 was adopted in January 2023 in the amount of KM 6.73 billion, which is KM 1.1 billion more than the budget from the previous year. On the other hand, in November 2022, the National Assembly of Republika Srpska adopted the RS budget for 2023. The RS budget was adopted in the amount of KM 5.38 billion, which represents an increase of 19.4% compared to the second rebalancing of the budget for 2022. The RS budget deficit is planned in the amount of KM 261.2 million (1.2% of GDP), which is KM 29.0 million more compared to the second budget rebalancing for 2022. Financing needs for the RS amount to KM 1.21 billion, which is an increase by KM 506.9 million. Considering all of the foregoing, it is certain to expect a further increase in government obligations in 2023.

The level of public debt as of the end of the third quarter of 2022 compared to the end of 2021 has increased in the nominal amount of about KM 200 million, which is a significantly smaller increase compared to the previous year. In 2022, there was no significant

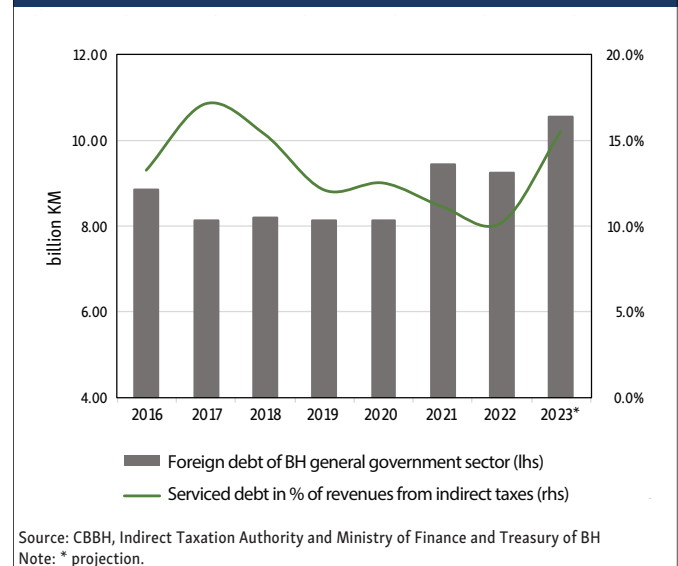
borrowing by the entity Governments with international financial institutions, while borrowing on the domestic capital market was somewhat more intense. Total gross debt at the end of the third quarter of 2022 was 28.5% of GDP²². (Graph 1.18).

Graph 1.18: The Total Government Sector Gross Debt



The external debt of the government sector decreased during 2022 (KM 177.8 million or 1.9%) and at the end of the year amounted to KM 9.26 billion (Graph 1.19). For the most part, debt with foreign creditors was concessional debt.

Graph 1.19: Foreign Debt of Government Sector



In 2022, the total amount of withdrawn funds from international financial institutions amounted to only KM 96.2 million, out of the planned KM 1.59 billion²³. In 2022, there was no significant

²¹ Public investment programme of Republika Srpska for the period 2022-2024, December 2021. Public investment programme of the Federation of Bosnia and Herzegovina for the period 2022-2024, December 2021.

²² The total public debt does not include the debt of public enterprises. GDP - CBBH projection, November 2022.

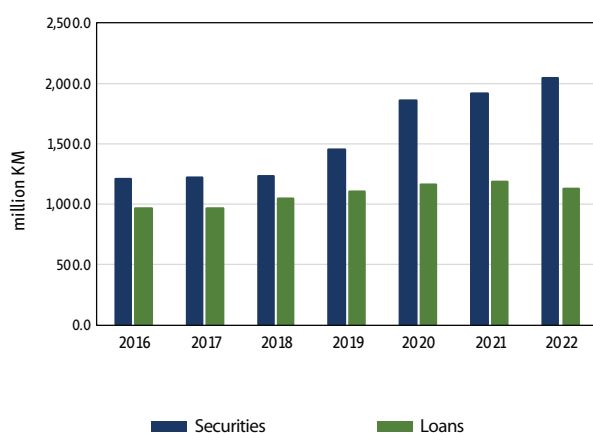
²³ Global framework of the fiscal balance and policies in BH for the period 2022-2024, March 2022.

withdrawal of funds from foreign creditors. The largest withdrawal was recorded in the second quarter (KM 44.5 million), most of which related to financing the corridor Vc (around KM 30 million).

The repayment of the external debt of the government sector was significantly higher than the amount of new withdrawn funds in 2022. From the total serviced funds (principal and interest) to foreign creditors (KM 802.3 million), according to the World Bank - IDA and the European Investment Bank - EIB, the highest amounts of KM 200.7 million and KM 124.2 million were serviced, respectively. For servicing the external debt of the general government sector in 2023, funds in the amount of KM 1.25 billion are planned, which is 15.5% of projected revenues from indirect taxes for 2023²⁴ (in 2022, that percentage was significantly lower and amounted to 10.2%) (Graph 1.19).

The debt of the government sector with commercial banks recorded a slight increase on the annual level on the basis of securities, while a decrease was recorded on the basis of loans (Graph 1.20). The exposure of banks to the government sector at the end of 2022 was 8.4% of the total assets of the banking sector. In 2023, on the basis of internal debt repayment, the FBH and the RS should allocate KM 805.4 million (the Federation of BH KM 484.0 million and Republika Srpska KM 320.7 million).

Graph 1.20: General Government Debt with Commercial Banks



Source: CBBiH

As in several previous years, during this year, the turnover on the stock exchanges was under the dominant influence of the public emissions of the entities, especially Republika Srpska. Due to the extremely low turnover last year, as well as due to public debt issues during 2022, significant relative and absolute growth of turnover was registered on the stock exchanges. The total value of traded financial instruments is KM 1.07 billion and it is 55% higher than the previous year. In the total turnover structure,

despite the high market capitalisation of joint stock companies, the turnover of equity securities accounted for only 17%. During 2022, public debt issues were carried out in 8 maturity segments, and in addition to five-year bond issues, issues of public debt for a period of half a year and seven years were dominant. The average coverage ratio of Republika Srpska's emissions (the ratio between received and accepted offers) was at the level of 1.2, while in the Federation of Bosnia and Herzegovina this ratio was higher (1.4) due to the greater demand for emissions from this entity. There is also a difference in the dynamics and number of emissions (Table 1.3). Republika Srpska borrowed on the domestic financial market throughout the year, and the Federation only until July, with which its participation in the total number of issues reached only a quarter. The reduction in budget financing needs reduced the share of the Federation of Bosnia and Herzegovina in the total value of the entity's public debt issues in 2022 from 46% to 36%.

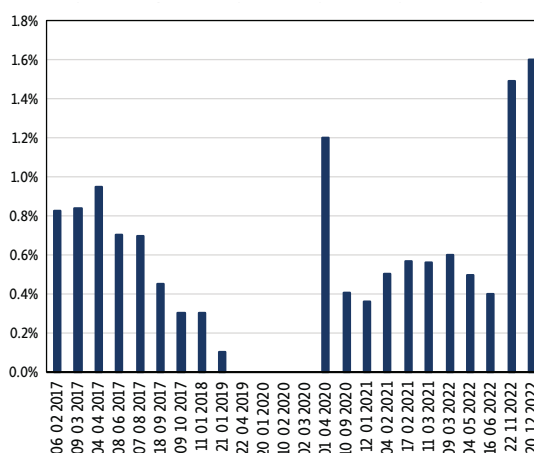
Table 1.3: Issues of Entities' Public Debt in 2022

Maturity, per month	3	6	9	24	60	72	84	120	Ukupno
Republika Srpska	1	5	0	0	6	0	2	1	15
Federation of Bosnia and Herzegovina	0	0	1	1	0	1	1	1	5
Total	1	5	1	1	6	1	3	2	20
Value of issues (million KM)	47.9	144.2	50.0	40.0	192.4	30.0	116.1	48.3	668.8

Source: BLSE and SASE

The financing of the Entities' budgets took place in an environment of general growth in interest rates and yields on the financial markets, which is particularly noticeable in the market of six-month treasury bills (Graph 1.21) of Republika Srpska during the second half of 2022 and in the market of seven- and ten-year bonds of this entity. The average yield rate on the market of six-month treasury bills increased almost threefold, while the growth of the yield rate on the bond market was 230 bp (seven-year bonds) and 350 bp (ten-year bonds).

Graph 1.21: Yield to Maturity Rate in the Primary Market of Six Month Treasury Bills of Republika Srpska



Source: BLSE

Note: In one issue from 2019 and in three issues from 2020, yield on six month treasury bills was 0%.

²⁴ Source: Ministry of Finance and Treasury of Bosnia and Herzegovina (Foreign Debt Servicing Plan in 2023) and Macroeconomic Unit of the Governing Board of the Indirect Taxation Authority (MU of ITA GB Bulletin No. 197/198, November-December 2022).

The level of public debt by Entity is still reflected in significantly lower borrowing costs of the Federation of Bosnia and Herzegovina compared to the other entity (Table 1.4). All yield rates to maturity on the primary bond market were significantly lower in 2022 in the Federation of Bosnia and Herzegovina. Part of this difference was also due to the fact that the last issues of this entity were carried out in the first half of July, after which the ECB increased the key interest rates four more times (by a total of 250 bp) with consequences for the increase in borrowing costs of Republika Srpska. Furthermore, Republika Srpska made a decision in the second half of the year to increase the maximum interest rate on public debt²⁵. With these changes, the maximum interest rate on bonds issued on the domestic market increased from 4% to a maximum of 6%, the same as the yield to maturity rate in the December issue of ten-year bonds of Republika Srpska.

Table 1.4: Average Yield to Maturity Rate in the Primary Market of Entities' Public Debt in 2022

Maturity, per month	3	6	9	24	60	72	84	120
Republika Srpska	1.21	0.92			4.47		4.30	6.00
Federation of Bosnia and Herzegovina			-0.03	2.20		2.74	3.48	1.59

Source: SASE, BLSE

Note: The Federation of Bosnia and Herzegovina made emissions in June and July 2022. During 2022, Republika Srpska made two emissions in the first quarter, four emissions each in the second and third quarters, and five emissions in the fourth quarter.

Despite the relatively low turnover, the stock market in Republika Srpska achieved the second consecutive year of growth in the stock market index, BIRS, in 2022. After growing by 15.8% last year, BIRS grew by 26% in 2022 and reached a value of 841 points. The growth of the stock market indices takes place under the influence of the good business performance of the telecommunications sector and the growth of stock prices from the power sector. On the other hand, after 5 years of growth, 4 of which were years of double-digit growth, the main stock index on the Sarajevo Stock Exchange, SASX-30, recorded a slight decline in 2022.

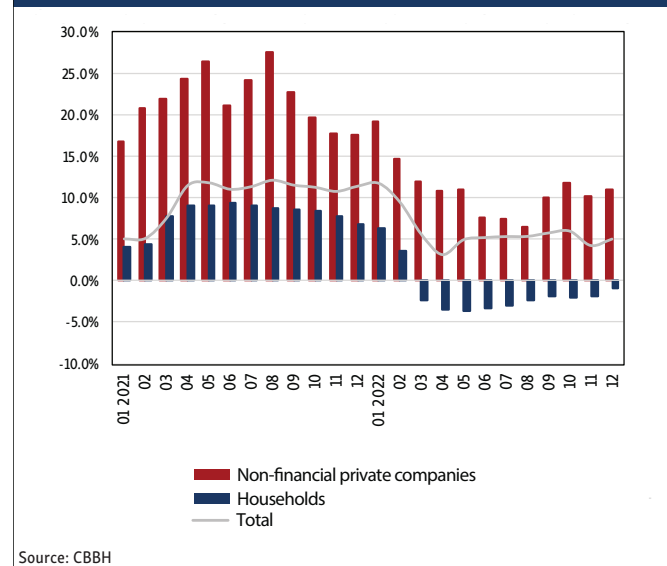
1.2.3 Banking sector

At the beginning of the year, the banking sector was exposed to a significant outflow of citizens' deposits (Graph 1.22), but thanks to high liquidity and the efficient and timely reaction of Entities Banking Agencies, the stability of the banking sector of Bosnia and Herzegovina was preserved. According to the latest data (Q3 2022), the average return on assets of the banking sector is 1.6%, and the return on average capital is 12.6%. A satisfactory level of profitability was achieved in terms of asset growth (3.3%), high liquidity (share of liquid assets in total assets 31%) and low share of non-performing loans in total loans (4.9%). On average, banks were

extremely liquid in terms of the liquidity coverage ratio (211%)²⁶ and the ratio of net stable sources of financing²⁷ (161%).

After the start of the war in Ukraine, two domestic banks then owned by the Russian Sberbank AG Europa, due to the huge operational risks related to international payments and the ECB's press release about the illiquidity and high probability of bankruptcy of banks from the Sber group, exposed themselves to reputational risk, and the entire group was excluded from SWIFT. Although both banks were solvent, liquid and profitable, the great uncertainty that prevailed regarding the possibility of continuing their operations caused the withdrawal of deposits at the end of February and during March, which was stopped in April (more details on this topic in the text box).

Graph 1.22: Annual Deposit Growth Rate



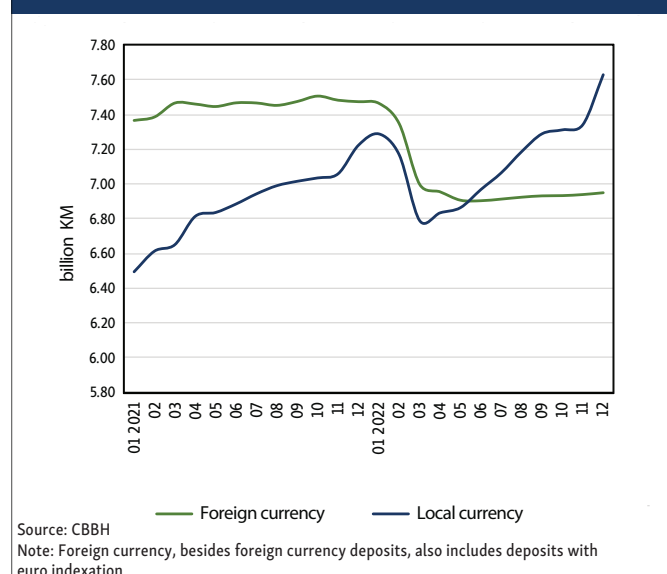
In addition to the significantly lower growth of total deposits (5%) compared to the growth achieved in the previous year (11.4%), the characteristic of the reporting period is the completely opposite movement of deposits of the two most important sectors. The largest individual contribution to the growth of total deposits was made by the sector of non-financial companies (2.2 p.p.), and almost the same contribution was made in the general government sector. At the end of March 2022, compared to December 2021, household deposits recorded a decrease of 6.2%, after which their continuous growth was recorded, but by the end of the year they did not reach the level of the end of 2021, and are lower by 0.8 %. The growth of deposits by currency structure did not take place at the same pace in all sectors (Graph 1.23) and a significant part of foreign currency, which the household sector withdrew from banks in February and March, was not re-deposited in banks by the end of the year.

²⁵ Decision on Amending the Decision on Long-Term Borrowing of Republika Srpska for 2022. RSOG, 68/22, July 2022.

²⁶ The relationship between the level of the liquidity protection layer and the total net liquidity outflows during the stress period lasting 30 calendar days. The bank is obliged to continuously maintain the liquidity coverage ratio (LCR) in the amount of at least 100%.

²⁷ The relationship between the available amount of stable financing and the required amount of stable financing. The Net Stable Funding Ratio (NSFR) must be maintained at a level of at least 100%.

Graph 1.23: Household Deposits, Currency Structure



Although the household sector withdrew the most other (term) deposits during the mass outflow of deposits, the term structure of deposits in the first quarter changed only slightly. After the deposit outflow stopped, despite the reduction of uncertainty and the completion of bank restructuring, the term structure changed further. The share of term or other deposits decreased from the initial 40% (12/2021) to 36% of total household deposits by the end of 2022. In the structure of newly contracted household deposits, deposits with a maturity of more than two years accounted for 40% in 2022, and the participation of deposits with a maturity of less than one year was 24%. The outflow of household deposits did not affect the sector of non-financial companies and the growth of deposits in this sector, although slowed down compared to the previous year, is still extremely high²⁸. The term structure of deposits of this sector has not been changed, and the currency structure has been changed in favour of foreign currency deposits. At the end of the year, the shares of other and foreign currency deposits in the structure of deposits of non-financial companies were 21% and 45%, respectively.

Text box 3: Causes and consequences of the outflow of deposits from the banking sector at the beginning of 2022

The event that in 2022 marked the most significant developments in the banking sector and left consequences on the domestic banking market was caused by the beginning of the war in Ukraine and the reaction of the European Union to the new geopolitical reality. The establishment of restrictions on the operations of Russian banks in the EU, the most important of which was exclusion from SWIFT (in the first wave of sanctions from this part of international payment traffic, 7 Russian banks were excluded) led to an increase in uncertainty, especially among depositors of banks owned by Russian residents.

The withdrawal of deposits from these banks was accelerated when the ECB's information reached the market "that Sberbank

Evropa AG and the banks owned by it in Slovenia and Croatia will either fail or that there is a high probability that they will fail". The exclusion of Sberbank Evropa AG from international payment transactions and the growing uncertainty regarding the business future of Russian banks in Bosnia and Herzegovina led depositors, especially the household sector, to start mass withdrawals, first mainly from these banks, and then some others, due to the resulting uncertainty. In its press release with an invitation to Russian banks in Slovenia and Croatia, the ECB emphasised that it was a liquidity crisis, not a solvency crisis, and this indirectly also applied to banks from the Sber group.

Both Sberbank a.d. Banjaluka and Sberbank.d.d. Sarajevo were not only solvent, but their liquidity was either at the level of the average for the banking sector, or even above it, and so was their profitability. The share of cash in the assets of both Banja Luka and Sarajevo Sber banks was equal to the average in the banking sector of the Federation of Bosnia and Herzegovina (31%), and above the value of this indicator for the banking sector of Republika Srpska (25%). Extremely good indicators of financial health were not enough to stop the massive withdrawal of deposits, so on 1 March entity agencies decided to start the process of bank restructuring. The restructuring of the banks was completed with their direct sale to two banks, and the outflow of deposits from the banking sector stopped in April.

For two months, in February and March, total bank deposits were reduced by KM one billion (-3.6%) compared to the end of 2021. Some other sectors also reacted to the uncertainty regarding the operations of these two banks, but significantly less than the household sector, whose deposits in the first quarter were lower by KM 908 million (-6.2%). As was expected, the largest outflow of deposits was in the position of long-term deposits (KM 385 million), then demand deposits (KM 256 million) and finally in transaction accounts (KM 255 million) of the households. After that, withdrawn deposits began to return to the banks (a monthly increase of KM 112 million on average from June to September was not caused only by the return of deposits), so that by the end of the year, household deposits would have increased by around KM 800 million (compared to the end March) and almost returned to the level of the end of 2021 (-0.8%).

In 2022, the accelerated trend of reduced long-term household deposits continued due to the outflow of deposits, and they decreased their share by 5 p.p. in one year to 29.5%. The relative reduction of domestic external long-term sources of bank financing was reflected in the increase of non-term sources of household financing (transaction accounts and demand deposits), whose share in total household deposits increased almost as much as the share of long-term household deposits decreased. Although the term structure of household deposits in BH and the euro zone is not significantly different, this loss of long-term deposits in the amount of KM 774 million from the aspect of economic development represents perhaps the most significant consequence of the outflow of deposits. A decrease in household long-term deposits can have negative consequences on investments and economic development. However, the outflow of deposits, and thus the changed maturity structure of deposits, did not affect the overall credit dynamics of the banking sector at all, even from the aspect of loan maturity.

²⁸ At the end of 2022, the share of deposits of non-financial companies in total deposits was 28%.

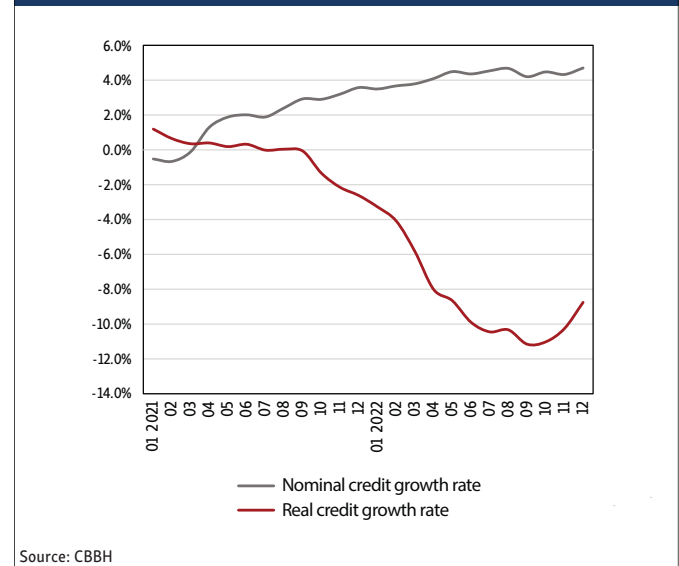
During the global financial crisis (2007 - 2009), the banking sector did not have a legal framework for restructuring of banks from 2022, because even in the most developed countries (G20) it was established only in the period 2011 - 2014, and it was included in the BH banking legislation in 2017. The positive effect of the rehabilitation of the two banks is the safe preservation of jobs and business relationships built over years, the neutralisation of the reputational risk related to the war in Ukraine in the future, and the reduction of uncertainty and its complete elimination due to the quick and efficient restructuring of the banks.

For inflationary conditions, especially in the second half of the year, a relatively low rate of nominal credit growth was achieved (Graph 1.24), and negative real interest rates²⁹ did not significantly increase the demand for bank loans. There was no significant nominal credit growth, although the real debt of credit users in conditions of high inflation and negative real interest rates is decreasing due to a decrease in the real value of money.

It seems that the high degree of uncertainty and the business policy of banks largely determined the credit dynamics during 2022. The survey on the credit activity of banks from the second quarter of 2022³⁰ indicated expectations regarding a moderate tightening of credit standards, and this probably at least partially contributed to the achievement of a relatively low rate of credit growth (4.7%) in an environment of double-digit inflation. Due to great uncertainty, especially in the first half of the year, the high amount of excess reserves and the still negative compensation on excess reserves was not a sufficient motive for higher credit growth rates. On the side of the demand for loans, the negative effects of the reduction in the purchasing power of the households, the large increase in the prices of real estate and durable consumer goods probably outweighed the effects of negative real interest rates. Loans to households and loans to non-financial private companies contributed the most to total credit growth, as always, and this year the sector of non-financial public companies showed a higher level of demand for loans, especially in the part of short-term loans. The contribution of public non-financial companies and private non-financial companies to credit growth in 2022 was 0.5 pp and 1.8 pp respectively. Within loans to households, which make up half of the loan portfolio, the highest absolute growth was recorded in non-purpose consumer loans and loans for the construction and purchase of new housing units, and their annual growth was 4.5% and 9.9%, respectively. The structure of loans to households was almost unchanged compared to the previous year, and loans intended for the purchase, construction and renovation of residential units accounted for a total of 23% of all loans granted to households at the end of 2022, while the rest mainly related to non-purpose consumer loans (72.7 %) and on two relatively small market segments, loans for entrepreneurship (1.8%) and loans for card business (2.5%). The nominal growth rate of loans in the household in 2022 of 5.2% is approximately at the level of the previous year (5.5%), but due to the large difference in annual inflation, the real rates of loan growth in the household sector

differ significantly. The real growth rate of loans to households in 2022 was -8.3%, and in 2022 loans to this sector grew by -0.8% in real terms.

Graph 1.24: Annual Credit Growth Rate



The banking sector only partially followed the change in the reference interest rate of the ECB in contracting interest rates on new loans, because the BH monetary system has a certain degree of independence in relation to the monetary system of the euro zone. One of the reasons could be the dominance of domestic sector deposits in the financing sources of banks, because they mostly do not contract with a variable interest rate.

Due to the low growth of nominal interest rates in conditions of high inflation, real interest rates were negative throughout the year (Graph 1.25). Given that foreign liabilities, which are more closely related to the ECB's interest policy than domestic sources of financing, make up less than 5% of the total liabilities of the banking sector, the rise in interest rates on loans to non-financial companies should not be directly linked to the ECB's monetary policy. On the other hand, interest rates on housing loans for households increased only slightly, by 15.6 bp on average, and the increase occurred in the second half of the year. The growth of credit risks, in conditions of reduced purchasing power and growing uncertainty, was most reflected in the price of housing loans (annual growth of the average weighted interest rate 42 bp), and to a lesser extent in other loans dominated by non-purpose consumer loans (annual growth of the average weighted interest rate 20 bp). At the end of the year, banks calculated an interest rate of 3.8% (housing loans) and 5.2% (other loans) on newly approved loans to households.

Unlike the average weighted interest rate on loans to households, which did not change significantly compared to the end of last year, the average weighted interest rate on loans to non-financial companies increased by almost one third³¹.

²⁹ The real interest rate is calculated as the difference between the nominal interest rate and the inflation rate.

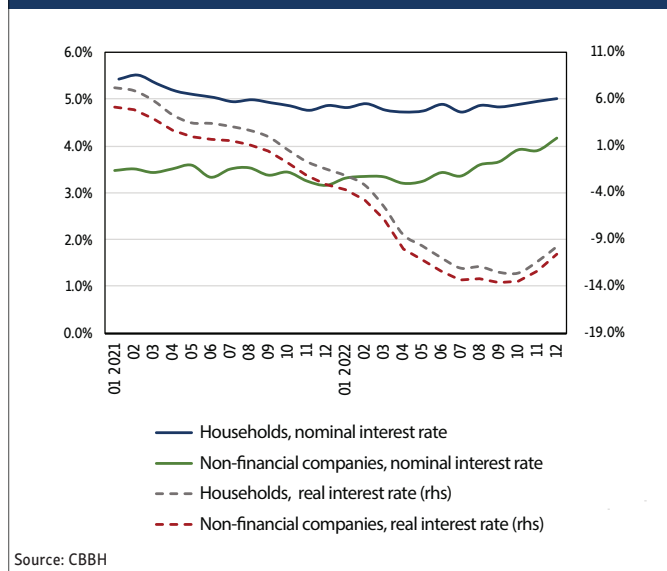
³⁰ Central Bank of Bosnia and Herzegovina, Survey on Credit Activity of Banks (Report for the second quarter of 2022).

³¹ The share of newly approved loans to non-financial companies in total newly approved loans in 2022 was 51.6%, while at the end of 2022, the share of these loans in the state of total loans was 44.3%.

The growth of the interest rate in this sector from 3.2% to 4.2% is a consequence of the banks' interest policy and the growth in demand for these loans, especially in the area of non-financial public enterprises.

Immediately after the ECB started to raise interest rates, the Entities' Banking Agencies passed by-laws that conditioned the growth of interest rates above a certain level with additional allocations for provisions, considering that the potential increase in costs will slow down the growth of interest rates and mitigate credit risks. The results of the influence of this decision of the regulator could have effects on the movement of interest rates in the second half of the year, especially towards the end of the year (October and December), when the ECB increased the interest rate twice (by a total of 1.25 bp), and its effects will only be felt in the next year if there is a further and certain increase in ECB interest rates.

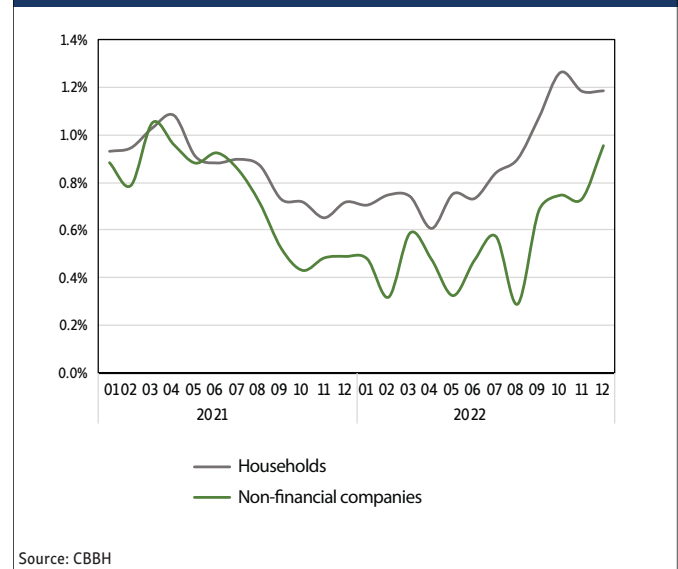
Graph 1.25: Interest Rates on New Loans



Deposit interest rates on total newly contracted deposits of the household sector and the sector of non-financial companies, despite growth (Graph 1.26), and considering high inflation, remained relatively low in 2022. They were not even close to the level of average passive interest rates at the euro zone level. Like with lending interest rates, deposit interest rates have not increased significantly. In one year, deposit interest rates have increased by about 50 bp on average in both sectors, and the average growth of passive interest rates in the euro zone for households and non-financial companies was 134 bp and 244 bp respectively. This reaction of banks to the general increase in interest rates can be linked to the structure of the financial market of Bosnia and Herzegovina, which is dominated by banks as financial intermediaries. Banks did not significantly raise passive interest rates, and at the same time, a very small part of deposits was contracted with a variable interest rate. However, it is noticeable that deposit interest rates increased more on deposits with longer maturities than on deposits with shorter maturities. On the market of newly contracted household deposits, interest rates increased the most in the maturity segment over two years, which make

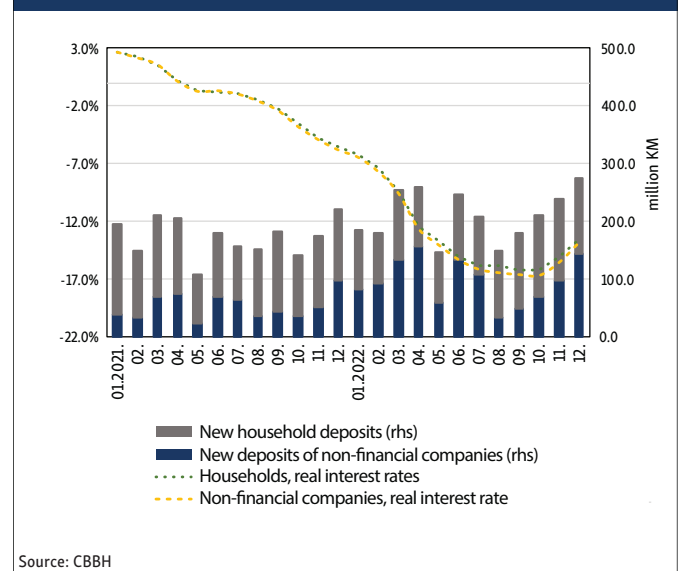
up about half of newly contracted household deposits. On the other hand, in the case of deposits of non-financial companies, the largest growth was registered in the maturity segment between one and two years, and they account for about one quarter of the total deposits of this sector. At the end of the year, passive interest rates in BH on deposits of households and non-financial companies are lower than passive interest rates in the euro zone by about 50 bp and 130 bp respectively.

Graph 1.26: Interest Rates on the Total New Deposits



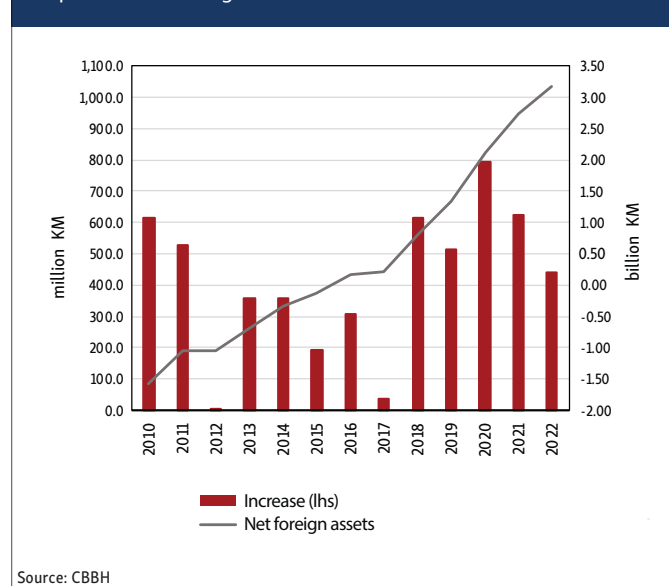
Compared to inflation, nominal deposit interest rates were exceptionally low throughout the year, with real deposit interest rates being negative (Graph 1.27). Yet, compared to the previous year when the real interest rates level was significantly higher, in 2022, banks contracted 22 % more of new deposits than in 2021. In the end of September, the lowest real interest rate on households' and non-financial corporates' deposits was recorded, its value being around -14% in the end of the year.

Graph 1.27: Real Interest Rates on New Deposits



A change in foreign assets and foreign liabilities dynamics and structure brought about further growth of net foreign assets, reaching the so far highest recorded level of KM 3.18 billion (Graph 1.28). In the reporting period, moderate growth of foreign assets continued (6.5%) with a slight modification of its structure in the position of other deposits the share of which increased and that of loans to non-residents which were relatively decreased³². In the foreign assets structure, the last year's share of transferable deposits with non-residents (26%) was kept, with the share of claims based on securities issued by residents remaining the same (around 25%). During the first half of the year, banks were decreasing their claims on non-residents, while foreign assets sharply increased in the second half of the year, particularly the last quarter. The achieved level of foreign assets was the highest so far, while foreign liabilities additionally decreased, hitting the historically lowest level since 2002. Compared to the previous two years, a moderate decline of foreign liabilities of 7% was recorded. Key changes that brought it about took place in the positions of other non-residents' deposits and other non-residents' loans. These two balance sheet positions contributed to the foreign liabilities decline with 6 pp, however, this was not considerably reflected in the change of foreign liabilities structure, which retained its positive contribution to the banking system stability. The same as in the previous year, the share of other non-residents' deposits accounted for around one fifth of foreign liabilities, which, with a high share of loans from non-residents, provides for a possibility of planning foreign exchange outflow on the basis of a possible further decrease of foreign liabilities. Roughly the same level of foreign assets and foreign liabilities changes, having however opposite signs, caused the so far highest level of coverage of foreign liabilities with foreign assets, which additionally strengthened the liquidity of this part of banking sector foreign exchange balance sheet. At 2022 year end, banks recorded the one unit of liabilities to non-residents to 2.8 units of claims on non-residents ratio, this being the highest recorded ratio so far. For comparison, the ratio before the corona pandemic (2019), which affected accelerated decrease of foreign liabilities and stagnation of foreign assets during the first pandemic year, was 1:1.4.

Graph 1.28: Net Foreign Assets



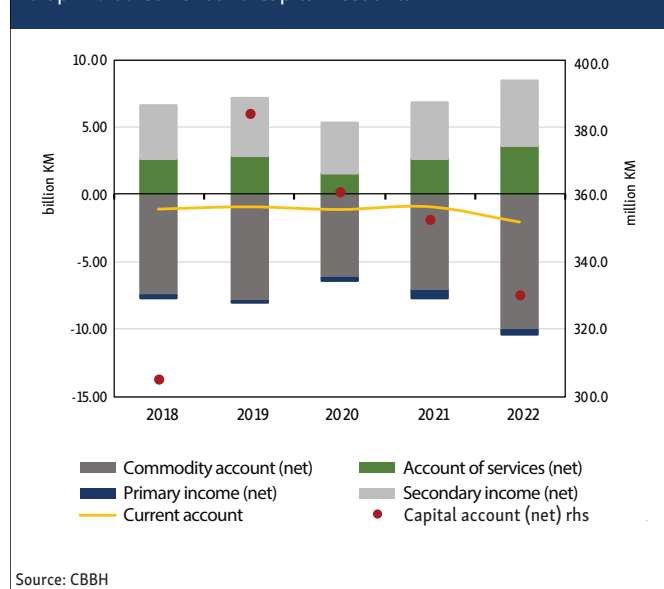
³² There are only several banks in this activity position and these are short-term transactions.

1.2.4 External sector

I Balance of payments

Despite the challenges brought about by the energy crisis due to the war in Ukraine, in 2022, the foreign trade value increased significantly. In the first half of the year, the foreign trade growth was under the impact of economic activity growth, while in the second half of the year, it mainly arose from the price growth at the global level. In absolute amounts, current account deficit in 2022 amounted to KM 2.04 billion, representing the largest recorded deficit over the previous ten years (Graph 1.29). A very high value of current account deficit mainly arose from a deficit in commodity account which was strongly affected by the price growth in 2022. Also, due to the nominal growth of current account deficit and economic activity slowdown in the second half of the year, current account deficit in per cents of GDP increased. Current account deficit in per cents of GDP increased by 2.0 percentage points to the level of 4.3% in 2022³³.

Graph 1.29: Current and Capital Accounts



In 2022, the value of transactions with foreign countries significantly increased in the commodity account, mainly arising from price growth, and also increased economic activity in BH and main trade partner countries in the first half of the year. Despite low annual growth rates of domestic spending and the decline of industrial production volume in the second half of the year, the value of imported goods in BH (according to balance of payments data) amounted to KM 26.23 billion, representing an annual growth of 31.9%. On the other hand, the value of goods exported from BH was KM 16.13 billion representing an annual growth of 26.9%, while more than 73.0% of exports was for the EU market, still staying the most significant trade partner.

Observed by product groups, the largest shares in the total exports were taken by base metals, iron, steel, aluminium and their products, which in 2022 recorded a growth of export value of 31.8%. Despite a prompt growth of metal price during the first weeks of the war in Ukraine, the prices stabilised in the second half of the year, so a significant quantity growth of exports was also

³³ Nominal GDP for 2022 is a projection of the CBBH from November 2022.

recorded in this group of products. Also, exports of machines and appliances recorded a growth of export value of 21.6% and was under a much weaker price effect. Uncertainty related to energy supply chains impacted the highest growth rate of exports value to be recorded by mineral origin products (43.1%) with more than half of the value related to electric energy exports. Due to a strong growth of prices of natural gas and coal, as predominating power generating production fuels, in 2022, there was a significant growth of stock exchange prices of electric energy, with many EU countries registering the record high values in August. Exports of wood and wood products, the group of products where BH has traditionally had a high foreign trade surplus, recorded a growth of 21.0%. However, the export value of this product group was under a negative effect of the decision on the ban on pellets and logs exports, which was in effect in the second half of the year.

The highest contribution to the total import value, by shares and recorded growth rates (81.7%), was that of imports of mineral origin products, mainly oil and oil derivatives. As the average stock exchange oil price in 2022 was higher by 41.7% compared to the previous year, high growth rate of this product group obviously arose from price effect. Also, a significant import value was recorded for base metals, and machines and appliances, which, due to rather low growth rate of producer prices in the EU machine industry of 8.2% recorded a significant quantity growth.

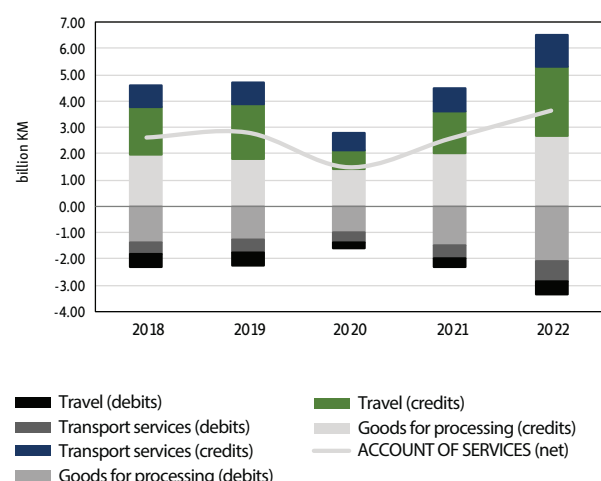
Table 1.5: BH Commodity Foreign Trade, by the Most Significant Trade Partners (in billion KM)

	Exports			Imports		
	2020	2021	2022	2020	2021	2022
EU	7.63	10.39	13.23	10.28	12.73	16.30
CEFTA	1.68	2.41	3.30	2.15	2.76	3.52
Other countries	1.21	1.47	1.44	4.46	6.10	8.82
TOTAL	10.52	14.27	17.97	16.89	21.60	28.64

Source: BHAS

Delayed demand from previous years and revoke of travel restrictions impacted a record high surplus in account of services, with the growth of 41.0% in 2022 compared to the previous year. All the most significant service account categories over the observed period recorded considerable growth rates, including inflows from foreign tourists which had the highest contribution having recorded the value increase of KM 1.04 billion (Graph 1.30). Despite a decline of industrial production volume in BH main trade partner countries, inflows from exports of goods after processing increased by KM 649.7 million. Incited by foreign trade growth, inflows on the basis of transport services increased by 19.5%, with the prevailing share of international transport of goods.

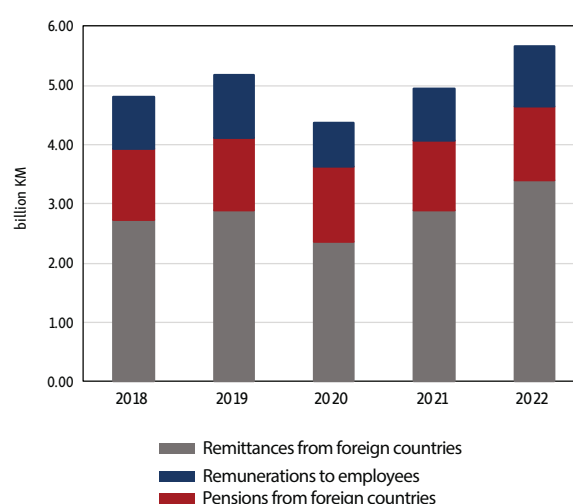
Graph 1.30: Account of Services in Balance of Payments



Source: CBBH

Besides the surplus in account of services, the surplus in secondary income account had the most significant impact on the current account deficit decrease, mainly due to inflows based on workers' remittances (Graph 1.31). Due to the growth of economic activity in the first half of 2022, in developed countries, net inflows based on workers' remittances were realised in record amount, having increased by 18.1%. Pensions from foreign countries, as the second most significant category of secondary income, increased by 4.8% over the observed period. Also, a significant contribution to decrease of current account deficit came from net inflows based on residents' wages in foreign countries which were realised in the amount of KM 1.00 billion.

Graph 1.31: Remunerations to Employees in Foreign Countries, Remittances and Pensions from Foreign Countries



Source: CBBH

Lacking funds for financing current account deficit were provided by inflows on the basis of foreign direct investment and private sector borrowing from international creditors. Foreign direct investment in BH in 2022 amounted to KM 1.20 billion, representing the highest value over the previous fourteen years, with more than half of the value related to reinvested earnings. Over the observed period, banks and other financial companies increased their investments in debt instruments in the value of KM 172.4 million.

Within other investment, predominating financing form was private non-financial sector borrowing in the form of trade loans and advances, and loans from international creditors. A high level of international commodity trade impacted the growth of inflows on the basis of trade loans and advances by 34.9%, and loans of the sector of non-financial and other financial companies by 14.1%. On the other hand, government sector in the observed period decreased its liabilities on the basis of loans to international financial institutions by KM 244.6 million. Banking and government sector recorded asset increase in currency and deposits, while at the same time, banking sector recorded also a decrease of liabilities on the same basis.

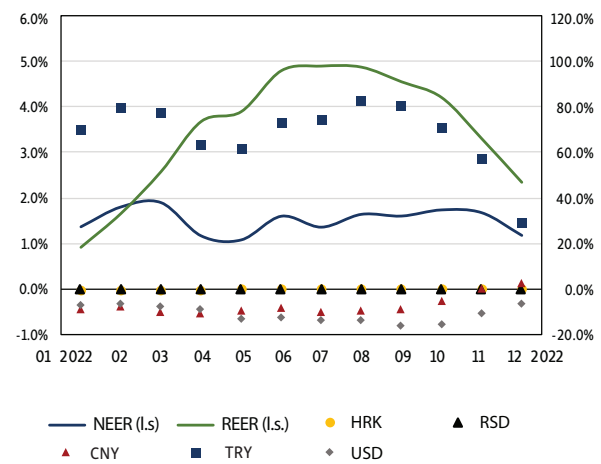
II Nominal and real effective exchange rates

Nominal effective exchange rate (NEER) and real effective exchange rate (REER), where consumer price index was used as a deflator, in 2022 recorded moderate appreciation which in December at the annual level amounted to 1.2% and 2.3%, respectively (Graph 1.32). Appreciation of NEER resulted from the appreciation of EUR, our peg currency, in relation to the currencies of our trade partner countries, particularly currencies of developing countries, which was particularly evident in case of Turkish lira, which in December at the annual level amounted to 28.9%, which is much lower

compared to previous months due to the base effect. On the other hand, KM, at the year end, recorded a nominal depreciation in relation to US dollar by 6.4%, Swiss franc by 5.3% and Czech crown by 3.9%.

Nominal depreciation of KM to US dollar arose from nominal depreciation of EUR, our peg currency, due to higher exposure of the euro area to energy crisis effects, and stronger increase of benchmark interest rates by the US FED, so the EUR/USD exchange rate in September 2022 reached the lowest value since the introduction of EUR.

Graph 1.32: Annual Changes in KM Foreign Exchange Rate



Source: CBBH

Note: Positive values in right hand scale represent appreciation of KM in relation to the selected currency.



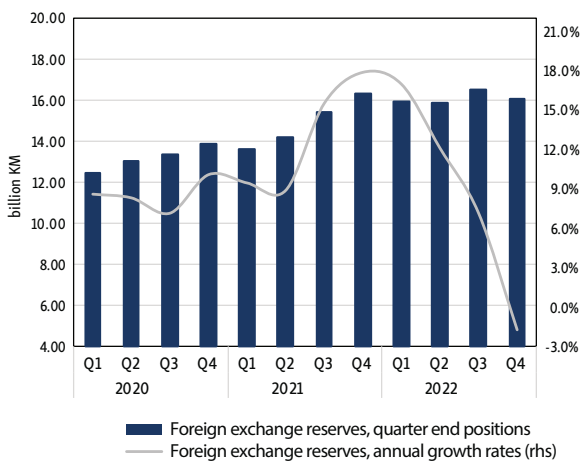
Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ

Report on the CBBH Activities in 2022

2 REPORT ON THE CBBH ACTIVITIES IN 2022

In December 2022, net foreign exchange reserves amounted to KM 16.06 billion having decreased by KM 282.5 million (1.72%) compared to the same period of the previous year (Graph 2.1). Downward trend of the annual growth rate of foreign exchange reserves marked the entire year of 2022. The 2022 foreign exchange reserve trend was impacted by foreign debt servicing, absence of foreign borrowing, inflows from remittances, inflows of foreign direct investment as a consequence of retained earnings in banking sector. Decrease of foreign exchange reserves recorded in the first quarter is not unusual, being mainly caused by decreased renewing of banks' due foreign liabilities. In July and August 2022, increase of foreign exchange reserves resulted from the impact of a positive purchase and sale balance due to tourist season. Over the last three months of 2022, considerable decrease of foreign exchange reserves is a possible consequence of banks' foreign assets increase, due to the increase of other deposits with non-residents.

Graph 2.1: The CBBH Foreign Exchange Reserves



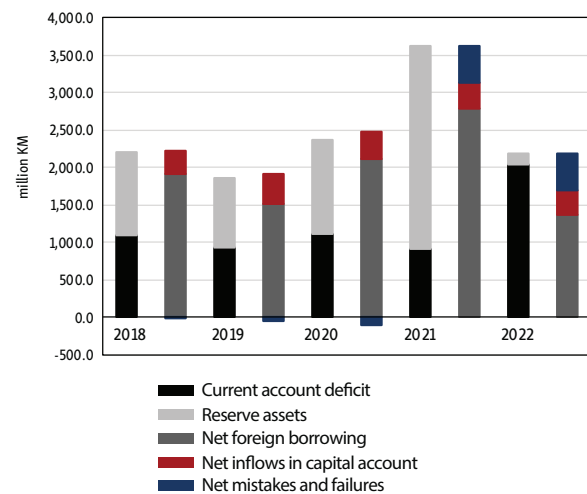
Source: CBBH

All the transactions affecting the foreign exchange reserve level are reflected, at the aggregate level, in the trend of KM purchase and sale with the CBBH, which is the base for their formation. Contribution to increase or decrease of foreign exchange reserves is mainly seen through purchase and sale of commercial banks and depositors with the CBBH, while other changes, such as effects of foreign exchange reserve investment, have a much weaker effect. During 2022, the CBBH recorded a positive KM purchase and sale balance with commercial banks and internal depositors in the amount of KM 215.6 million.

Foreign debt repayment, as one of the factors affecting a decrease of foreign exchange reserves, amounted to KM 802.29 million in 2022. Changes in the CBBH portfolio value due to market conditions in 2022 had a negative impact on foreign exchange reserves (see Chapter 2.3).

Graph 2.2 shows balance of payments items from the view of net financing from foreign countries, as well as reserve assets, consisting mainly of foreign exchange reserves from the balance of payments perspective. Current account deficit can also be observed as a BH debt to foreign countries, which is financed by net foreign borrowing from non-residents for the amount not covered by net inflows in capital account. Net foreign borrowing can be in the form of foreign direct investment, which is the most favourable form from macroeconomic aspect, as it is not subject to the obligation of repayment, and on the other hand, it rises domestic capacities, or in the form of external borrowing of the sectors of government, corporates or financial sector.

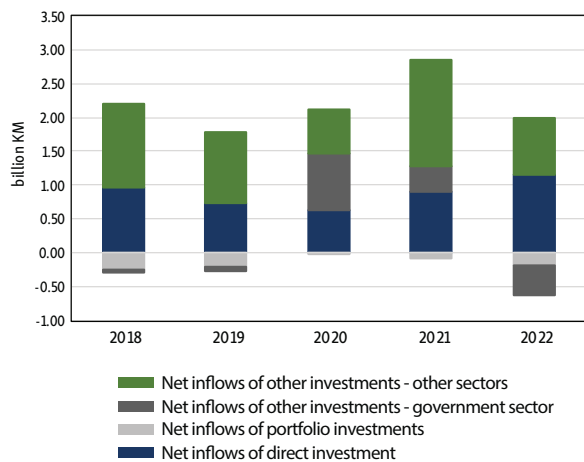
Graph 2.2: Impact of Balance of Payment Items on the Foreign Exchange Reserve Growth



Source: CBBH

Net foreign borrowing in 2022 was much lower compared to 2021 (51.0%), when a significant contribution to reserve asset growth came from allocation of special drawing rights by the International Monetary Fund, and the very structure of borrowing was different (Graph 2.3). Government sector borrowing, which in the previous two years had a significant contribution to reserve asset growth, did not take place in 2022 in a significant extent, so repayments of loans to international financial institutions were much higher than new debts. In addition, outflows of funds were recorded in item of portfolio investments as a result of investments of financial sector companies in debt securities. The strongest positive impact on net foreign borrowing came from net inflows of foreign direct investments which in 2022 increased by KM 250.2 million compared to the previous year, with the largest part related to reinvested earnings. Within other investment, the most significant effect on reserve assets came from private sector inflows, with the dominating role of inflows based on trade loans, incited by high value of foreign trade, and also loans to private companies.

Graph 2.3: Structure of Net Foreign Borrowing



Source: CBBH

2.1 Monetary policy

In 2022, the CBBH fulfilled the objective defined by the Law, the issue of the local currency according to the currency board arrangement. According to Article 31 of the CBBH Law, the Bank is obliged to ensure that the total amount of its monetary liabilities should never exceed the equivalent amount of its net foreign exchange reserves, which was completely met.

According to the Law, the total amount of the monetary liabilities of the Central Bank is always the sum of the following:

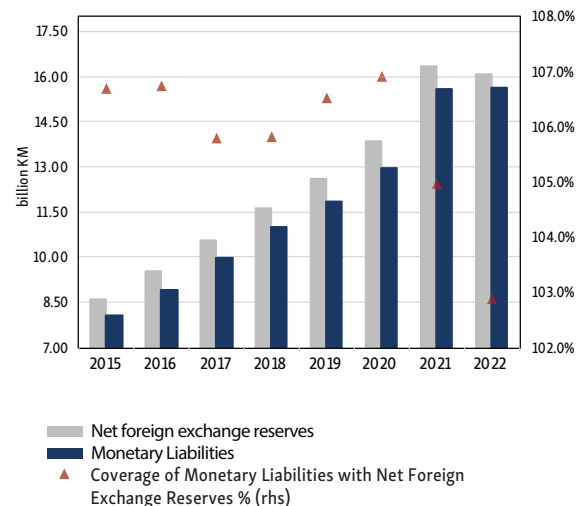
- (A) all the banknotes and coins put into circulation by the Head Office, Main Units and other Branches of the Central Bank, and
- (B) credit balances of all accounts held in the books of the Central Bank and its organisational parts by resident account holders.

In the end of 2022, net foreign assets amounted to KM 451.5 million, which was lower by KM 321.2 million compared to the balance at 2021 end. Net foreign exchange reserves at 2021 end amounted to KM 16.06 billion, having decreased by KM 282.5 million (1.73%) compared to the same period of the previous year. Monetary liabilities in the same period recorded a growth of KM 38.7 million, due to the trend of the total banks' holdings with the CBBH during 2022. Net foreign assets are a buffer against shocks which may have a negative effect on the market value of financial instruments where foreign exchange reserves are invested in.

Rate of currency board coverage in the end of 2022 was lower compared to the end of the previous year, amounting to 102.89% (Graph 2.4). The decline of the coverage ratio resulted from a strong impact of market trends on the foreign exchange reserve portfolio.

In the end of the fourth quarter, there was a significant change visible in the foreign exchange reserve structure in favour of deposits with non-residents, caused also by changes in the ECB monetary policy (change of Deposit Facility Rate). Due to interest risks and changes in portfolio fair value, the CBBH restructured its portfolio. Consequently, the CBBH investment policy was in this way adequately positioned from the aspect of preserving the currency board coverage rate.

Graph 2.4: Coverage of Monetary Liabilities with Net Foreign Exchange Reserves



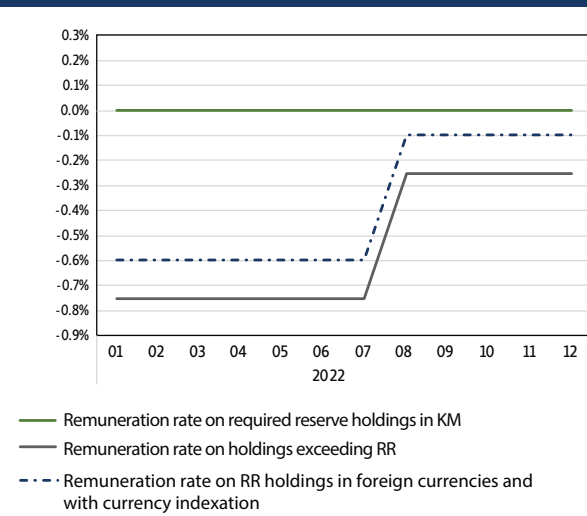
Source: CBBH

2.2 Reserve accounts with the CBBH

The only instrument of the CBBH monetary policy is required reserve. During 2022, the CBBH did not change the required reserve rate or the coverage of required reserve base. Required reserve rate was kept at 10%, being applied to all domestic and foreign liabilities of banks. The Governing Board of the CBBH at its meeting held on 27 October 2021 passed decision that from 01 January 2022, the remuneration rate on holdings exceeding required reserve in banks' reserve accounts with the CBBH should be changed to -0.75% (the ECB deposit facility rate reduced by 25 bp). The remuneration rate on required reserve in KM remained the same, amounting to 0%.

On the other hand, bases in foreign currencies and in the local currency with currency indexation were remunerated at the deposit facility rate of the European Central Bank reduced by 10 basis points (-0.60%). The CBBH Governing Board at its meeting dated 29 July 2022 passed a decision to modify the remuneration rate on required reserve holdings with bases in foreign currencies and the local currency with currency indexation, so that those should be remunerated at the rate of minus 10 basis points, while holdings exceeding reserve requirement should be remunerated at the rate of minus 25 basis points. Therefore, these remunerations stayed at these levels until the end of 2022 (Graph 2.5.).

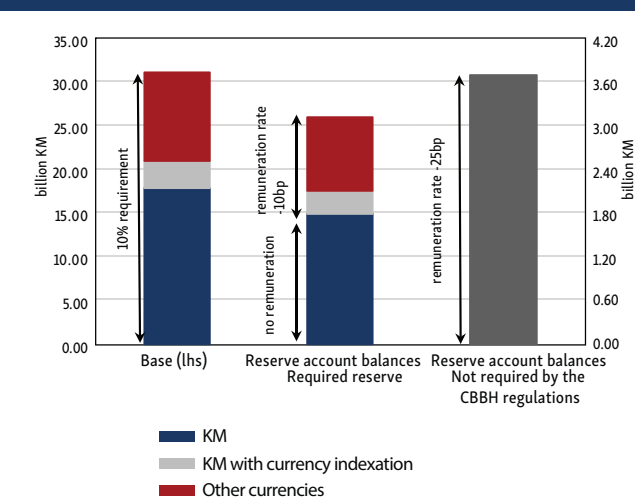
Graph 2.5: Presentation of Required Reserve Policy in the Context of Remuneration Changes



Source: CBBH

The CBBH Governing Board at its meeting dated 28 November 2022 passed a Decision to modify the remuneration rate on required reserve holdings so that required reserve holdings with the KM, local currency base should be remunerated at the rate of 25 basis points, while required reserve holdings with bases in foreign currencies and the local currency with currency indexation should be remunerated at the rate of 10 basis points. Remuneration on holdings exceeding required reserve is to be calculated at zero rate. This Decision took effect on 01 January 2023.

Graph 2.6: Presentation of Required Reserve Policy in the Context of Positions in the Last Calculation Period in 2022

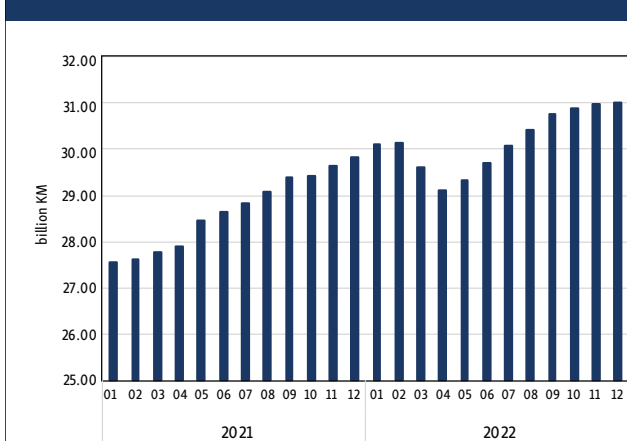


Source: CBBH

Note: Reserve account balances, which are not required by CBBH regulations, include all currencies

Until December 2022, the required reserve system included 23 banks. Two banks merged in December, so, in the end of the year, their number was 22. All the banks met the reserve requirement. A strong growth of domestic sector deposits remained a dominating factor of growth of the required reserve base. Required reserve base, in the end of the reporting period, amounted to KM 30.99 billion, and, compared to the same period of the previous year, it was higher by KM 1.2 billion (Graph 2.7).

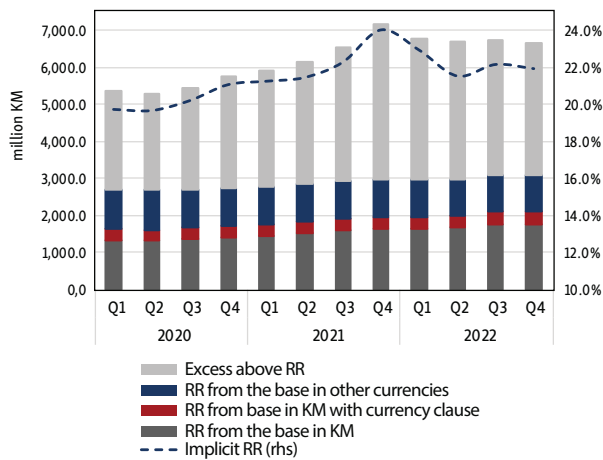
Graph 2.7: Trend of RR Base



Source: CBBH

During 2022, the trend of required reserve base deviated from the usual due to the war in Ukraine. Therefore, in the period March-May 2022, the total base decreased as a reaction of depositors to growing global uncertainties. This was a temporary situation, so the upward trend of the required reserve base which had been recorded from the beginning of 2021, resumed after May until the end of 2022. On the basis of the above, having in mind the trend of banks' foreign liabilities (decreased by KM 46.80 million comparing December to January 2022) it can be concluded that banks mainly relied to domestic sources of financing, so events in Ukraine only had a temporary effect which did not significantly impact the required reserve base.

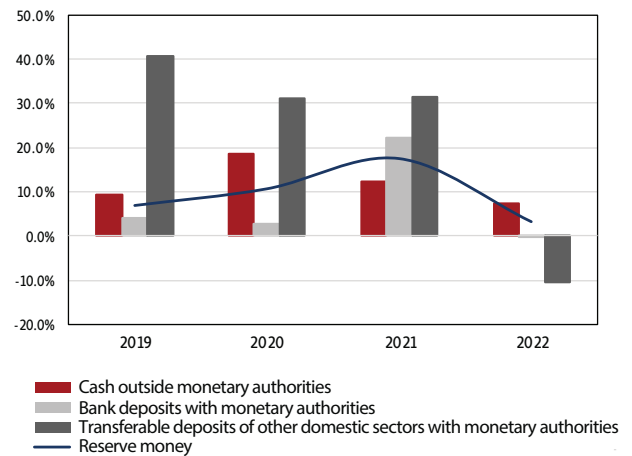
Graph 2.8: Reserve Account Balances with the CBBH and RR Implicit Rate



The total funds in reserve accounts with the CBBH in the end of the calculation period amounted to KM 6.72 billion, while the implicit required reserve rate amounted to 21.9%. In the end of December, average holdings above required reserve amounted to KM 3.62 billion. As gradual decrease of holdings exceeding RR was recorded in the fourth quarter of 2022, the total amount at the year end was lower by KM 480 million compared to the end of the previous year. However, it should be taken into account that record excess holdings above RR were seen in the end of 2021, which was changing gradually during 2022. Although the tendency of holding much higher balances in accounts with the CBBH, compared to RR defined by the CBBH was evident with a small number of banks, this is obviously a systemic appearance, which is not specific for some group of banks only. Holdings above required reserve are only one of the high liquid assets components in the banking system, and during 2022, a high liquidity of banking system was recorded regardless of temporary instabilities brought about by the events in Ukraine, and consequently, at the global level.

Due to the war in Ukraine, and withdrawals of deposits from banks recorded in the first quarter of 2022, the reserve money structure significantly changed in the observed period. In the reserve money structure, cash outside monetary authorities, continued its growth trend, although at lower intensity, its amount being higher by 7.4% in the end of the year compared to the same period of the previous year. Banks' deposits with monetary authorities, following a decrease in the first quarter of 2022, recorded growth in the end of the year, returning completely to the amount recorded in December 2021. The upward trend of transferable deposits of other domestic sectors ceased in 2022, so these deposits recorded a negative annual growth rate of 11%. Consequently, a slow annual growth of reserve money of 3.3% was mainly affected by the growth of cash outside monetary authorities of 7% (Graph 2.9). Reserve money in the end of 2022 amounted to KM 14.92 billion.

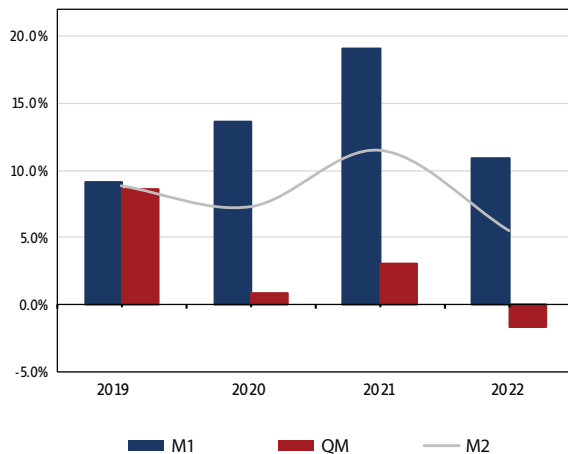
Graph 2.9: Annual Changes in Reserve Money Components



During 2022, increase of money supply (M2) was completely due to the growth of aggregate M1, which includes the most liquid money supply components, transferable deposits and cash outside banks (Graph 2.10). Out of the total money supply growth in 2022, even 79% was related to the growth of transferable deposits in the local currency. The total money supply in the end of the year amounted to KM 33.23 billion which is an increase of 5.47% compared to the same period of the previous year. A part of this continuing growth came from maturity transformation of deposits in favour of transaction deposits. Due to uncertainty, high inflation and low deposit rates, households and business often did not decide to extend their term-deposits, but preferred to keep their funds as transferable deposits available at any time.

On the other hand, insufficient lending, due to increase of credit risks and lower demand for loans did not generate banks' needs for additional long-term sources of financing (see sub-chapter on banking sector). The growth of broad money aggregate, quasi money (QM), unlike previous years, was negative, resulting completely from decrease of other deposits both in the domestic and foreign currency. The highest increase of transferable deposits during 2022 was recorded with sectors of households and non-financial private companies. In the total deposit structure, transferable deposits in the end of 2022 accounted for 65% which is higher by 5pp compared to the previous year.

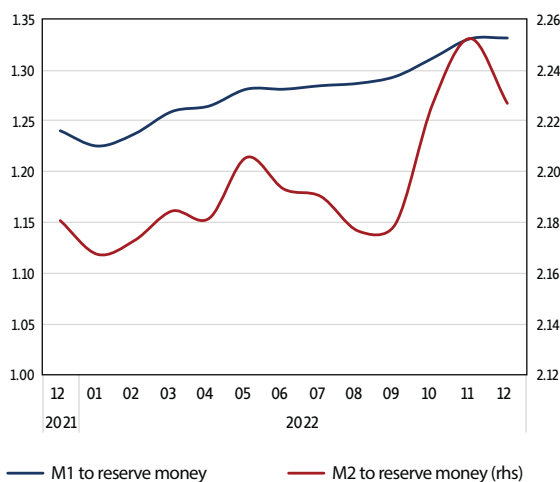
Graph 2.10: Annual Growth Rates in Monetary Aggregates



Source: CBBH

Changes in money supply component trends and changes in reserve money recorded throughout 2022 were reflected in monetary multiplication. Taking into account the recorded trends of reserve money in relation to broad money, monetary multiplier for M2 recorded oscillations during the year but also a slight increase compared to the same period of the previous year. Due to a much faster growth of monetary aggregate M1 in relation to primary money growth, monetary multiplier for M1 increased in the previous year (Graph 2.11).

Graph 2.11: Monetary Multiplication



Source: CBBH

Regulatory data also show a stable growth of domestic sources of funds (Table 2.1). The share of short-term financial liabilities in the total financial liabilities remained high, recording growth compared to the previous year. Growth of transferable deposits again (the same as in the previous year) impacted the increase of liquidity indicators. A very high percentage of short-term to the total financial liabilities of banks indicates increasingly

unfavourable maturity structure of sources, which is currently not favourable for a stronger growth of long-term loans. A stronger deposit growth compared to lending resulted in the total deposit amount in 2022 significantly exceeding the total loan amount throughout the observed period. Liquidity coverage ratio (LCR)³⁴ in the third quarter of 2022 was 210.8% at system level, with almost all banks in the system recording much higher indicator values than prescribed. According to applicable regulations, since the end of the fourth quarter of 2021, banks have been obliged to report to the Agencies on the net stable funding ratio³⁵, and since the end of 2022, they have been obliged to meet requirements in respect of NSFR. The minimum required level of net stable funding ratio according to Basle Committee is at least 100% on daily basis. This indicator, at the end of the third quarter was 160.8% with all the banks in the system recording much higher indicator values than required.

Table 2.1: Liquidity Indicators of BH Banking Sector

		Liquid assets to total assets	Liquid assets to short term financial liabilities	Deposits to credits	Short term financial liabilities to total financial liabilities
2017	Q1	23.5%	41.6%	101.2%	72.8%
	Q2	38.8%	42.1%	101.1%	72.8%
	Q3	20.6%	43.8%	103.5%	74.4%
	Q4	28.7%	44.3%	105.1%	75.2%
2018	Q1	29.0%	44.0%	106.0%	75.8%
	Q2	32.7%	43.2%	107.0%	78.0%
	Q3	29.2%	44.4%	108.5%	78.0%
	Q4	29.7%	44.6%	109.5%	77.3%
2019	Q1	28.8%	44.0%	109.7%	76.3%
	Q2	28.7%	43.8%	109.6%	76.1%
	Q3	30.0%	46.2%	112.5%	75.4%
	Q4	29.6%	45.5%	112.7%	75.3%
2020	Q1	28.1%	43.0%	113.2%	75.4%
	Q2	27.3%	40.7%	114.9%	77.5%
	Q3	28.0%	41.3%	117.8%	78.4%

Source: CBBH

³⁴ Liquidity coverage ratio (LCR) shows banks' ability to endure a thirty day long liquidity stress test scenario and is calculated as a ratio of liquidity buffer, consisting of assets which would be liquid in times of stress, and net liquid outflows calculated by defined parameters of the scenario in the next 30 calendar days. Banks are obliged to maintain LCR in the amount of at least 100%.

³⁵ Net stable funding ratio (NSFR) is a new FSI which shows banks' ability to endure market disturbances in the period of one year. This FSI is calculated as the available stable funding and the needed stable funding ratio.

2.3 Foreign exchange reserve management

In accordance with the Law on the CBBH and the relevant internal regulations (investment guidelines, strategic asset allocation and risk rules and parameters), the CBBH manages foreign exchange reserves primarily based on the principles of security and liquidity of investments. Considering that according to Article 34 of the Law on the CBBH it is not possible to invest more than the equivalent of 50% of the aggregate amount of unimpaired capital and reserves in currencies other than EUR, the CBBH invests more than 99% of its foreign exchange reserves in EUR denominated financial instruments. In the euro area interbank market, during 2022, yields and interest rates increased, so the CBBH invested at slightly higher and positive interest rates on foreign exchange deposits with foreign banks and market yields on government debt securities. Such surrounding implies higher net income from foreign exchange reserve investment.

Decisions on management and investment of foreign exchange reserves are made at three levels within the CBBH organisation: strategic level - Governing Board; tactical level - Investment Committee and operational level - the competent departments of the Sector for Monetary Operations, Foreign Exchange Reserves and Cash Management. The Governing Board establishes investment guidelines that define: maximum risk appetite, the optimal risk and return trade-off, strategic asset allocation, investment restrictions, investment period and benchmark for performance assessment. The Investment Committee operates within the binding legal restrictions, the Investment Guidelines adopted by the Governing Board and the Risk Rules and Parameters related to the foreign exchange reserve investment. Decision-making and responsibility for daily management of foreign exchange reserves is at the operational level, according to the guidelines, and risk rules and parameters.

In the process of the foreign exchange reserve management, during 2022, available information from relevant money and capital markets in the euro area and the world were continuously considered, as well as available forecasts that could affect foreign exchange investments in the current year and in the period ahead. Also, possibilities and modalities of the policy of investing and managing of the CBBH foreign exchange reserves were analysed and appropriate changes of investment policy were initiated with purpose of adjusting to new market conditions in the euro area. Information related to ratings of foreign banks where CBBH has term deposits and funds in current account and countries issuing securities included in the CBBH foreign exchange reserve portfolio were continuously analysed.

The CBBH foreign exchange reserve portfolio is primarily exposed to financial risks (interest rate, credit and liquidity risk) and foreign exchange risk. Managing interest rate risk, i.e. the risk of reducing the market value of the foreign reserves portfolio due to adverse interest rate trends, includes: prescribing the target modified duration of the foreign exchange reserves portfolio and the permitted deviation; value at risk monitoring; and prescribing

the maximum amount of standard deviation of the allowed CBBH portfolio return variation from the benchmark portfolio.

The CBBH limits its exposure to credit risk by investing in bonds of selected euro area countries and placing deposits in: selected central banks in the euro area, the Bank for International Settlements (BIS) and selected commercial foreign banks, provided that they meet the counterparty eligibility standards. The basic principle in credit risk management is the appropriate criterion for selecting counterparties and fixed income debt securities and avoiding excessive concentration of credit risk exposure to individual counterparties. These standards and restrictions are reviewed and updated as necessary, taking into account the official ratings of the world's leading rating agencies, as well as indicators obtained by using internal credit risk assessment methods.

Liquidity risk management is based on the assessment of potential liquidity needs and the identification of liquid financial instruments. Instruments that provide daily liquidity are overnight deposits and funds in current accounts with counterparties that meet credit risk criteria, and maturing funds on the basis of all instruments.

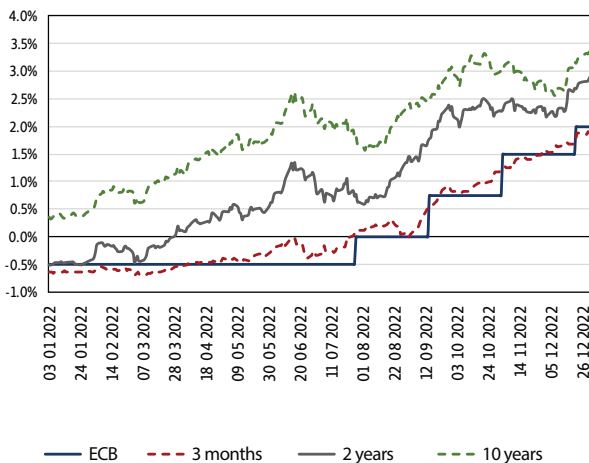
Foreign exchange risk is the risk of changes in the value of foreign exchange assets and liabilities due to changes in exchange rates of the currencies in which foreign exchange reserves are held relative to the domestic currency. Foreign exchange risk management is carried out primarily through the adjustment of the currency structure of assets and liabilities of the CBBH.

The process and results of the CBBH foreign exchange reserve management in 2022 were to a significant extent determined by trends in financial markets where, according to the CBBH Law and the defined strategic reserve structure, funds are invested in foreign convertible currency. Short-term interest rates in 2022, and market yields on short-term and medium-term government bonds of the euro area countries increased compared to the values in 2021, particularly since the ECB started to increase key interest rates in the euro area³⁶. All the three key interest rates of the ECB increased in July, September, November and December 2022 (see sub-chapter 1.1), which impacted the trend of interest rates (Euribor), and market yields on euro bonds of all the remaining maturities in 2022 (Graph 2.12). Average market yields on five year and ten year government bonds of the euro area countries in 2022 were higher by even 180 basis points than the values in 2021 (Table 2.2). Average market yields on two year and five year government bonds of the euro area countries in 2022 were higher by around 100 basis points than in 2015 (Table 2.2).

³⁶ The ECB Governing Board makes decision every six weeks on the levels of three key interest rates in the euro area, The level of interest rates on the CBBH foreign exchange deposits is mainly impacted by the ECB deposit facility rate.

Growth of market yields contributed to a significant increase of weighted average net interest rate (WANIR³⁷) in 2022, from -0.04% in the first, to 0.16% in the fourth quarter. Average annual WANIR for 2022 was therefore positive (0.09%), unlike 2021 (-0.08%). However, WANIR stayed lower than its values in the years prior to the pandemic of COVID-19 (Table 2.2).

Graph 2.12: Average Daily Market Yields on Government Bonds in Euro Area and ECB Deposit Facility Rates in 2022



Source: ECB

Table 2.2: Weighted Average Net Interest Rate on the CBBH Foreign Exchange Reserves and Average Annual Interest Rates and Market Yields on Sovereign Bonds in the Euro Area

	WANR, %	ECB - deposit facility rate, %	ECB - main refinancing operations, %	Euribor, %		EUR bonds, %					
				1 m	3 m	months		years			
							6	1	2	5	10
2015	0.34	-0.21	0.05	-0.07	-0.02	-0.10	-0.10	-0.10	-0.04	0.40	1.18
2016	0.22	-0.38	0.01	-0.34	-0.26	-0.42	-0.39	-0.36	-0.32	0.01	0.77
2017	0.18	-0.40	0.00	-0.37	-0.33	-0.54	-0.52	-0.49	-0.39	0.18	1.09
2018	0.16	-0.40	0.00	-0.37	-0.32	-0.48	-0.43	-0.33	-0.13	0.46	1.14
2019	0.11	-0.43	0.00	-0.40	-0.36	-0.46	-0.42	-0.37	-0.27	-0.02	0.40
2020	0.04	-0.50	0.00	-0.50	-0.43	-0.50	-0.49	-0.47	-0.43	-0.27	0.08
2021	-0.08	-0.50	0.00	-0.56	-0.55	-0.64	-0.63	-0.62	-0.58	-0.37	0.10
2022	0.09	0.08	0.58	0.07	0.34	0.15	0.35	0.66	0.97	1.44	1.91

Source: ECB, CBBH

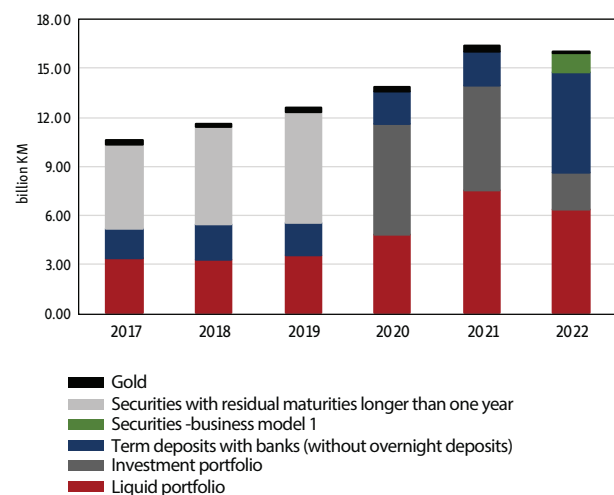
Note: Average Annual Interest Rates and Market Yields were calculated as the average of daily interest rates and market Yields in the observed year. The ECB's deposit rate was increased on four occasions in 2022. The average ECB deposit rate in the first two quarters of 2022 was -0.50%, in the third quarter it was 0.01% and in the fourth quarter 1.30%. Therefore, the ECB's annual average deposit rate for 2022 is much lower than the deposit rate at the end of 2022 (2%).

³⁷ Weighted average net interest rate is calculated by dividing the total net interest income in foreign currency in the reporting year with the average foreign exchange reserve balance in the reporting year. The total net interest income in foreign currency is calculated as a difference between the total interest income in foreign currency and the total interest expenses in foreign currency. The total interest income in foreign currency is a sum of interest income on securities, interest income on foreign exchange deposits with foreign banks and interest income on SDR holdings with the IMF. The total interest expenses in foreign currency are a sum of interest expenses on securities and interest expenses on foreign exchange deposits with foreign banks.

The foreign exchange reserve structure in the end of 2022 included (Graph 2.13): term deposits with banks (without overnight deposits) with the share of 37.98%; liquid portfolio with the share of 39.71%; investment portfolio (securities with more than one year to maturity) with the share of 14.02%; securities (Business model 1) with the share of 7.30%, and gold with the share of 1.00%. In the end of 2022, liquid portfolio included: current accounts with banks (10.14% of the total foreign exchange reserves); overnight deposits (3.38% of the total foreign exchange reserves); cash in the CBBH vault (3.56% of the total foreign exchange reserves); IMF special drawing rights (less than 0.01% of the total foreign exchange reserves), and securities with residual maturities of one year or less (22.63% of the total foreign exchange reserves). Securities with residual maturities of one year and less, as the largest liquid portfolio item, amounted to KM 3.64 billion in the end of 2022. Current accounts with banks, as the second largest item of liquid portfolio, in the end of 2022, amounted to KM 1.63 billion.

Fixed income securities in the end of 2022 accounted for 43.94% of the total foreign exchange reserves, which is less by around 27 percentage points compared to the end of 2021. Funds deposited with non-resident banks in the end of 2022 accounted for 51.50% of the total foreign exchange reserves, which is higher by around 27 percentage points compared to their share in foreign exchange reserves in the end of 2021. With purpose of protection against credit risk, investments are made in securities of selected European countries, with the restriction of minimum acceptable threshold of composite credit rating and the required average credit rating of the portfolio.

Graph 2.13: Structure of Investing the CBBH Foreign Exchange Reserves at the Year End

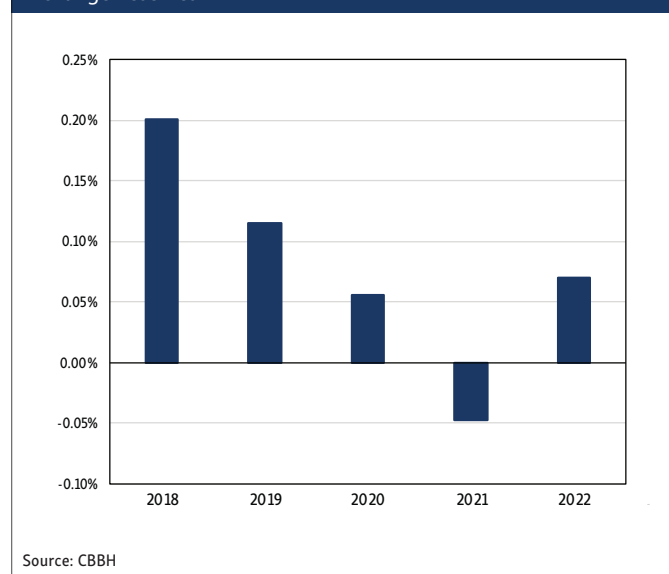


Source: CBBH

Note: The investment portfolio was the reporting category by the end of 2016, and contained securities available for sale, with a maturity of more than one year and an entire portfolio for holding to maturity. The investment portfolio has re-reported the reporting category since 2020, and contains securities that have more than a year left to maturity. Securities with which a year is left to maturity and less form an integral part of the liquid portfolio. In February 2022, an investment in securities was resilient whose subsequent measurement of fair value is performed by a shockingly cost method (Business model 1).

Net effect of the CBBH foreign exchange investment in convertible foreign currency on profit and loss statement for the period 01 January-31 December 2022 amounted to KM 11.15 million, and expressed in effective yield rate,³⁸ it amounted to 0.07% (Graph 2.14). The growth of yield rates on investments in convertible foreign currency arose from the increase of interest rates on short-term deposits in euros and investments in securities, with positive yield rates in purchases over the last several years. Besides, the income level was also impacted by reduced investment in securities with aim to decrease exposure and vulnerability to interest risk with purpose of protecting monetary liabilities coverage and currency board stability.

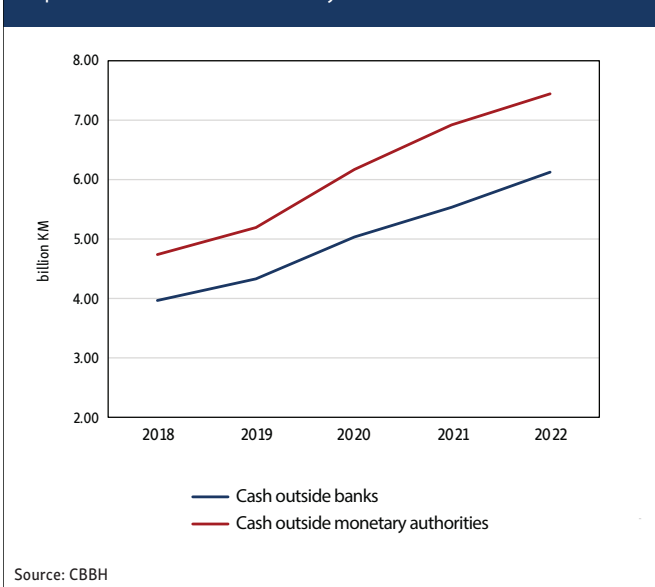
Graph 2.14: Annual Rates of Yields on the CBBH Foreign Exchange Reserves



2.4 Cash management

The trend of a very strong increase of cash in circulation (outside banks) from previous years continued. On 31 December 2022, the balance of cash in circulation outside banks amounted to KM 6.13 billion (Graph 2.15), which is higher by even 10.72% compared to 2021. The growth of demand for cash by banks remained the result of increased demands of clients for cash, particularly after a short-lasting panic of a part of depositors in BH, in February and March, after the entire Sberbank Group was excluded from SWIFT.

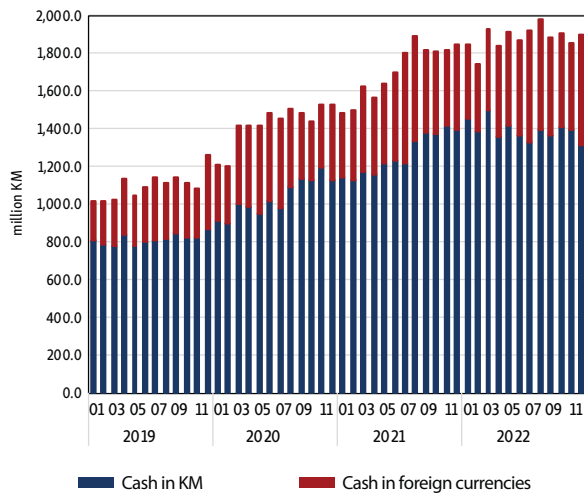
Graph 2.15: Cash outside Monetary Authorities and Banks



Unlike previous years, commercial banks did not significantly change cash quantities in their own vaults (Graph 2.16). A significant increase of the required reserve base (Chapter 2.2), with a rather low growth of lending (Chapter 1.2.3), in 2022 resulted in additional liquidity growth in banking sector. There are several possible reasons for the unchanged positions of cash in banks' vaults. It is quite possible that banks used physical capacities of their vaults, cash operations being expensive. From the view of managing liquidity risk in banks, there is no difference between cash and reserve account balances. In the latest two episodes of increased demand for liquidity by banks' clients, in the beginning of the pandemic and after sanctions were introduced for Russian banks, including Sberbank Group, the CBBH showed it was able to meet any request for issuing of KM and EUR cash. Finally, with purpose of harmonising the required reserve policy with that of the central bank of our peg currency, the CBBH changed its remuneration policy for holdings in reserve accounts several times during 2022 (Chapter 2.2), which is why banks' expenses were reduced. Increase of cash balances in banks' vaults in the end of December 2022, compared to the end of 2021, amounted to KM 47.4 million (2.6%).

³⁸ Effective yield rate is calculated by dividing the net effect of investing foreign exchange reserves with the average positions of foreign exchange reserves in the observed period. In calculating the total net effects of investing foreign exchange reserves, all net income from interest on securities and deposits in foreign currency were taken into account, as well as realized net capital gains/losses due to the sale of securities from the CBBH foreign exchange reserve portfolio.

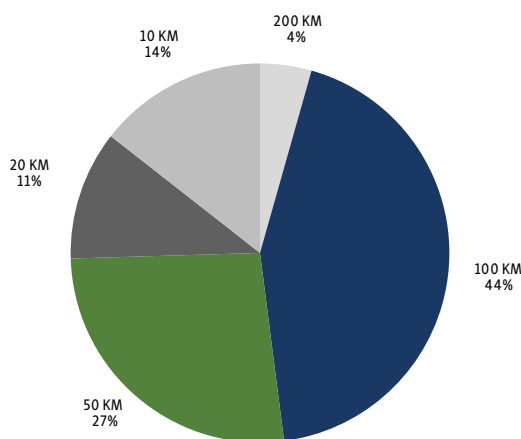
Graph 2.16: Cash Balances in Banks' Vaults



Source: CBBH

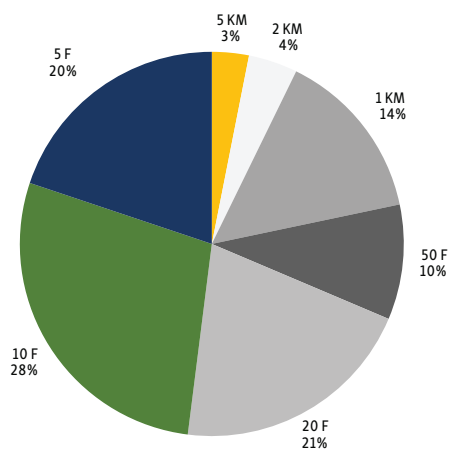
Outside the CBBH, in the end of 2022, there were 103.8 million pieces of KM banknotes and 447.6 million pieces of KM coins, in the total value of KM 7.44 billion, which is higher by 7.4% compared to 2021. In respect of the denomination structure of currency outside the CBBH, the largest shares were taken by 100 KM and 50 KM banknotes, and among coins, it was 10 F denomination (Graphs 2.17 and 2.18). The number of banknotes in denomination of 100 KM, which were in circulation in the end of 2022, was higher by 4.1 million (10.0%) compared to the end of 2021, additionally illustrating increased demand for cash holdings both by banks and their clients.

Graph 2.17: Denomination Structure of Banknotes in 2022



Source: CBBH

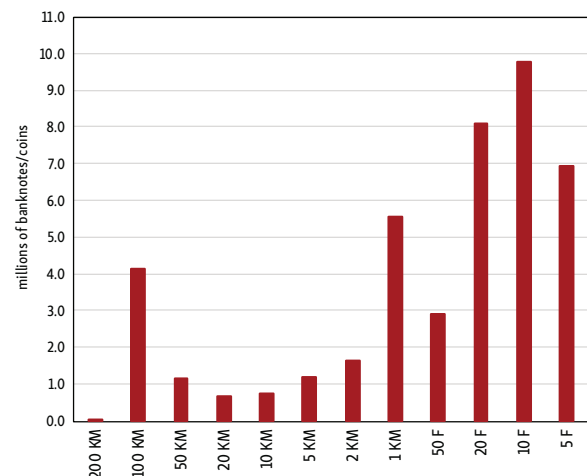
Graph 2.18: Denomination Structure of Coins in 2022



Source: CBBH

Compared to 2021, the number of banknotes outside the CBBH increased by 6.7 million pieces (6.9%), in the total value of KM 493.1 million (Graph 2.19). The quantity of coins outside the CBBH in the same period increased by 36.2 million pieces (8.2%), in the total value of KM 19.2 million (Graph 2.19).

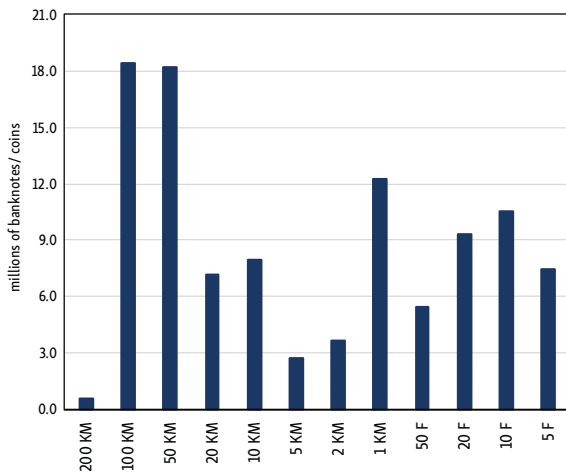
Graph 2.19: Change in the Number of Banknotes and Coins by Denominations Compared to 2021



Source: CBBH

Supply of commercial banks with cash is carried out through the vaults of Main Units and Branches of the CBBH, located in Sarajevo, Banja Luka, Mostar and Brčko, with strict adherence of the currency board arrangement. During 2022, 52.3 million pieces of banknotes and 51.3 million pieces of coins, in the total value of KM 3.13 billion, were issued to commercial banks (Graph 2.20).

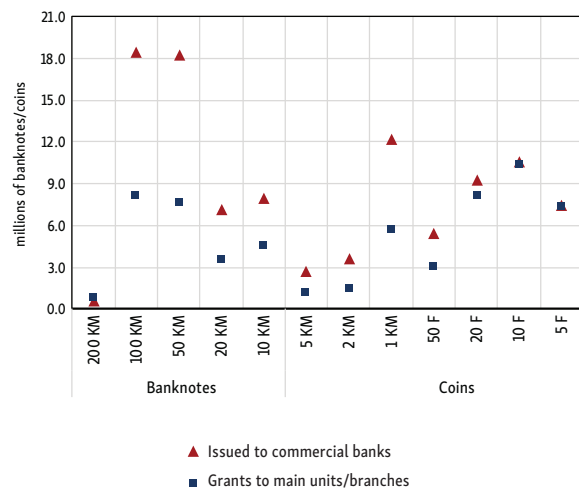
Graph 2.20: Banknotes and Coins Issued in 2022, by Denominations



Source: CBBH

In the same period, 24.7 million pieces of banknotes and 37.3 million pieces of coins, in the total value of KM 1.50 billion, was issued (subsidies) from the Cash Management Department of HO to Main Units and Brčko Branch. Graph 2.21 below implies that the CBBH took care of commercial banks' claims for cash in the appropriate denomination structure. As commercial banks also return significant quantities of cash to the CBBH vaults, subsidies to Main Units/ Branches are, as rule, smaller.

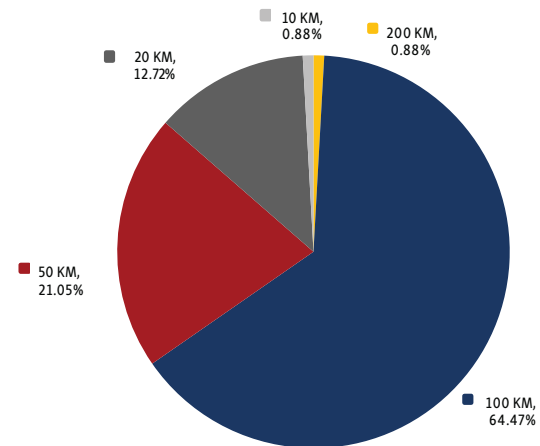
Graph 2.21: Cash Outflows (KM) in 2022



Source: CBBH

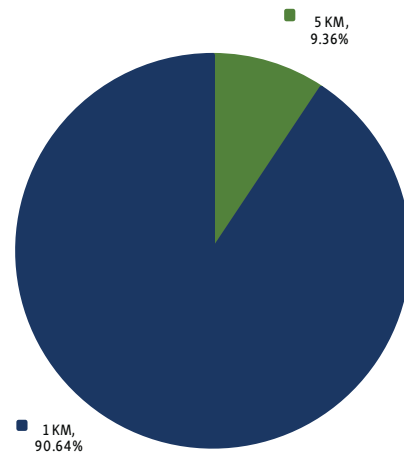
In 2022, 228 counterfeits of convertible mark banknotes were registered by the CBBH, which is lower by 46.4% compared to 2021. There were 470 pieces of registered counterfeited convertible mark coins, which is lower by 46.1% compared to 2021. According to denomination structure, most counterfeits were in the denomination of 100 KM (Graph 2.22), while most counterfeited coins were in the denomination of 1 KM (Graph 2.23).

Graph 2.22: Denomination Structure of Counterfeited Banknotes in 2022



Source: CBBH

Graph 2.23: Denomination Structure of Counterfeited Coins in 2022



Source: CBBH

CBBH continuously withdraws banknotes unfit for circulation, which are destroyed according to applicable regulations. By withdrawing unfit banknotes, and by putting into circulation banknotes of new series, the CBBH maintains a satisfactory quality of currency in circulation. In 2022, 14.6 million pieces of banknotes and 15,802 pieces of coins unfit for circulation were destroyed.

2.5 Maintenance of payments systems

The CBBH also fulfilled the legal obligation to maintain adequate payment and accounting systems in 2022: payment transactions in the country continued smoothly, through the giro clearing and gross settlement systems in real time (RTGS); the Central Registry of Credits (CRC) and the Single Registry of Business Entities' Accounts (SRBEA) were maintained and improved; and international clearing of payments with foreign countries was also performed. Recognizing the macroeconomic significance and importance of safe and efficient payment systems for financial stability, the CBBH worked intensively in 2022 to strengthen the capacity and operationalize the function of monitoring over payment systems.

In 2022, the growth was recorded in both the number and value of interbank transactions in the payment system that takes place through the CBBH (Table 2.3). Compared to 2021, the growth was particularly evident in the number and value of transactions through the real time gross settlement system (Table 21 in the Statistical Appendix). Such a strong change on an annual basis was expected, bearing in mind that during the pandemic, for a long period, a large number of legal entities were closed, or worked with a significantly reduced capacity. The increase in the value of transactions through giro-clearing systems was also significant. Consequently, a strong increase in the total value of interbank transactions continued in 2022 compared to the previous year. As in earlier periods, most transactions in interbank payment transactions are performed in a smaller number of banks; 50.42% of the total value and 53.32% of the total number of transactions in payment transactions in 2022 were carried out through five banks.

In 2022, a far greater number of both interbank and intrabank transactions were performed by clients of legal entities (84% and 71% respectively). Regarding the type of transaction initiation, in 2022 paper orders were more common in intrabank payment transactions (52% of the total number of orders), while 61% of interbank transactions were initiated by electronic orders. In 2022, a significant growth of electronic banking clients was recorded, especially in the segment of natural persons (19.2%, to the number of 1.26 million users), with the largest part related to mobile banking. In 2022, KM 154.85 billion of electronic banking transactions in value was recorded, of which internet banking of legal entities accounted for 98.1% of the total value of electronic banking transactions.

Table 2.3: Payment Transactions via Commercial Banks

	Interbank transactions	Change compared to the previous year	Intrabank transactions	Change compared to the previous year	Total	Change compared to the previous year
Number, in millions						
2018	42.3	3.0%	58.8	-14.0%	101.2	-7.6%
2019	43.6	3.0%	56.9	-3.3%	100.5	-0.7%
2020	43.8	0.4%	53.9	-5.2%	97.7	-2.8%
2021	48.0	9.6%	56.3	4.4%	104.3	6.8%
2022	49.7	3.5%	58.7	4.3%	108.4	3.9%
Value, in billion KM						
2018	102.67	6.7%	115.44	-1.4%	218.11	2.2%
2019	123.05	19.8%	113.37	-1.8%	236.42	8.4%
2020	105.13	-14.6%	100.43	-11.4%	205.56	-13.1%
2021	122.40	16.4%	110.47	10.0%	232.87	13.3%
2022	145.83	11.1%	128.13	16.0%	273.96	17.6%

Source: CBBH

With the weakening of the pandemic, and easing of restrictions on the movement of natural persons, a strong increase in traffic at POS terminals (point of sale) was recorded. The value of realized transactions at POS terminals exceeded pre-pandemic levels in 2022 (Table 2.4). Internet sales continued to grow strongly (69.1%) compared to 2021 (Table 2.4), which was surely contributed by the new policies of sales chains in the country, increased activities of goods delivery in the food and catering industry, but also the start of delivery in BH of some of the world's largest online stores. Internet sales abroad accounted for 71.4% of total internet sales in 2022. Turnover at ATMs continued to grow, which was expected after the weakening of the effects of the pandemic on personal consumption.

Table 2.4: Survey of ATM, POS and Internet Card Transactions

	2018	2019	2020	2021	2022
POS, in billion KM					
	3.12	3.26	3.19	2.94	3.77
Change compared to the previous year	13.2%	4.3%	-2.1%	-7.7%	28.3%
ATM, in billion KM					
	7.16	7.75	8.17	8.75	9.88
Change compared to the previous year	6.1%	8.2%	5.3%	7.2%	12.9%
Internet, in million KM					
		157.4	180.6	265.0	448.2
Total, in billion KM	10.29	11.17	11.54	11.96	14.10
Change compared to the previous year	8.2%	8.6%	3.3%	3.7%	17.9%

Source: CBBH

The recovery of tourism in 2022 is best reflected in the strong growth of realized values of foreign cards in BH (Table 2.5 below). The turnover by international cards in Bosnia and Herzegovina, for the purchase of goods and services at POS terminals, compared to 2019, is higher by as much as 32.6%. The turnover for the purchase of goods and services at POS terminals abroad, using cards issued in Bosnia and Herzegovina, also increased significantly compared to the pre-pandemic level.

Table 2.5: Realized Values by Means of Cards on Residence Principle

Year	Cash withdrawals		Purchase of goods and services at POS terminals	Total
	ATMs	POS terminals		
Realized values by foreign cards in BH, in million KM				
2018	1,346.7	43.7	650.2	2,040.6
2019	1,648.8	59.6	833.5	2,542.0
2020	1,117.6	59.7	399.3	1,576.6
2021	1,360.7	39.3	619.3	2,019.3
2022	1,793.1	63.0	1,105.1	2,961.1
Realized values abroad by cards issued in BH, in million KM				
2018	146.7	2.0	474.0	622.7
2019	165.3	3.0	426.8	595.1
2020	162.3	4.0	355.7	522.0
2021	143.4	3.4	447.0	593.8
2022	142.9	2.8	644.1	789.7

Source: CBBH

Mastercard is still by far the most represented card brand in BH (Table 2.6). The reason is that banks in Bosnia and Herzegovina generally accept Mastercard and Visa card brands at ATM and POS terminals. Other brands were represented in a very small number of banks. The number of contactless card transactions in BH at ATM and POS terminals in 2022 was higher compared to contactless (75.2, versus 59.8 million), but the value of transactions realized via contact cards was significantly higher (KM 8.61 billion, or 67.1% of the total value).

Table 2.6: Shares of Card Brands

Year	Visa	Mastercard	American	BamCard	Diners	Total
2018	870,018	1,252,486	7,123	10,369	13,350	2,153,346
2019	757,775	1,348,275	7,304	12,280	12,970	2,138,604
2020	736,947	1,410,718	6,901	9,666	6,324	2,170,556
2021	749,874	1,452,272	6,382	10,371	30	2,218,929
2022	773,691	1,541,267	5,984	10,890	1,299	2,333,131

Source: CBBH

In 2022, the CBBH also performed international clearing of payments between BH and Serbian banks. A total of 10,395 orders (-15.0% compared to 2021), whose value was EUR 288.1 million (-18.3% compared to 2021), were placed through the system of the clearing method for calculating international payments with Serbia.

2.6 Role of fiscal agent

In accordance with the Agreement on the performance of banking and fiscal agent obligations between the CBBH and the Ministry of Finance and Treasury of BiH, the Central Bank of BH also performed the duties of banker, depository, payment, and fiscal agent during 2022. In 2022, this service included payment transactions in the country and abroad, management of deposit accounts and conversion of funds related to loans and donations under contracts concluded by the Council of Ministers of Bosnia and Herzegovina with international financial institutions, and tasks arising from arrangements and membership of Bosnia and Herzegovina in international financial institutions, and from foreign debt servicing.

In the second half of 2022, after the conditions on the international financial markets changed, the Ministry submitted orders for the investment of a part of the foreign currency funds.

In accordance with the concluded Agreement on the performance of banking and fiscal agent duties between the CBBH and BIH Indirect Taxation Authority (ITA), and on the basis of the Law on payments to a single account and distribution of income, during 2022, the management of the single account of the ITA for revenue collection continued from indirect taxes. According to this arrangement, commercial banks on a daily basis transfer all collected revenues to the account for recording, holding and distribution of income of the ITA with the CBBH, and then, by order of the ITA, these revenues are allocated daily to several accounts for different purposes in accordance with the legal regulations and the order of the ITA. On the basis of the Excise Law, in 2022, the process of collecting funds paid on the basis of tolls to the account of the ITA with the CBBH, and the distribution of these funds by order of the ITA to the Entities and the Brčko District, also continued.

In 2022, the CBBH, in accordance with the Agreement concluded with the Deposit Insurance Agency of Bosnia and Herzegovina, performed the records of the securities portfolio of this institution, which is managed by an external portfolio manager, according to the agreement between the Deposit Insurance Agency and the one. Also, on the basis of the concluded contracts between the CBBH and the Federal Ministry of Finance and the CBBH, the jobs of the banking and fiscal agent are carried out. In accordance with the concluded contracts, the CBBH continued to act as a banking agent of the Banking Agency of the Federation of Bosnia and Herzegovina, the Banking Agency of the RS, Brčko District, and for Entities' Securities Registries.

The service of using electronic banking is also provided to depositors during 2022. The Central Bank undertakes daily activities to improve operations in working with depositors, automating processes, mutual communication, all with the aim of achieving the greatest possible efficiency in its operations.

2.7 Compilation of statistics

The CBBH is the producer of official statistics at the level of BH (together with the Agency for Statistics of BH), and in this sense it has the obligation to produce and publish the indicators of the official statistics of BH under its jurisdiction, which refer to the monetary and financial sector statistics, external sector statistics, and government finance statistics for BH. These activities of the CBBH are included in the Statistical Activities Plan of Bosnia and Herzegovina. It continuously invests in improving collection methods, expanding the number of source data (administrative and direct collection), and applying internationally agreed methodologies. In the last few years, particular emphasis has been placed on the introduction of statistical standards and methodologies that are in force within the EU, because the CBBH will have an emphasized responsibility in the preparation and delivery of data as a candidate country. Therefore, numerous technical assistance projects and ongoing staff training are being undertaken.

Several projects are currently being implemented, the results of which will raise the level of compliance with EU requirements:

- IPA 2019 Multi-user programme is focused on the area of the government finance statistics and excessive deficit procedure (GFS/EDP), within which new tables related to ESA 2010 transmission are being developed, and on the quality improvement. The scheduled deadline for the implementation is the middle of 2023;
- IPA 2017 Twinning project for BH statistical system, within which the methodology and the test compilation of the monthly balance of payments and geographical distribution for the balance of payments by country is being developed. The implementation of this project is scheduled for the third quarter of 2023.
- With the assistance of the Swiss government, work is being done on improving the IT structure for static compilation and developing new modern application solutions.

In parallel, the programming of the new IPA 2019 technical assistance project, which will start in 2024, is already underway, but it is necessary to prepare the content and goals of this new two-year programme with the BH Agency for Statistics.

The planned statistical surveys were finished and completed in most part, and the data were published on time and delivered to international and domestic institutions, in accordance with the obligations of the CBBH in the field of statistics. In addition to the regular production of data, external debt statistics were developed, based on recommendations from the external statistics regional project (cross-border statistics on balances). Appropriate sources were found and the required methodology was applied, so that the regular delivery of data to the World Bank started and BH was included and visible in the corresponding database. Accentuated exchange of information is realised with Eurostat, which includes methodological checks and analyses, as well as regular reporting within the framework of Compliance Monitoring (SIMS) with EU statistical requirements, and annual (two-round) data collection for countries in the process of expansion. After a longer period of quality control, in fall of 2022, Eurostat included the GFS-related data produced in the CBBH in its official publications and began to publish them together with other countries from the region.

Within the framework of the Working Group for Statistics in the EU integration process, a list of priorities for the statistical system in BH was analysed and defined on several occasions. On the international level, continuous efforts are being made to improve the quantity and quality of statistics through participation in forums (EC-BH Subcommittee, Eurostat working groups, ECB, BIS Irving Fischer Committee on CB Statistics, countries from the region through various projects and conferences). The CBBH regularly delivers extensive sets of statistics to international and regional institutions, through which BH is represented in international statistical databases (Eurostat, IMF, World Bank, European Central Bank, European Bank for Reconstruction and Development, EBRD, UNCTAD, BIS Bank, UN Statistics). The CBBH prepares and delivers data for the BH Economic Reform Programme (ERP) and for the needs of the Fiscal Council of BH, the CEFTA Secretariat, the

Directorate for Economic Planning, the Agency for the Promotion of Foreign Investments, the Ministry of Finance and Treasury of BH, the Ministry of Economy and Entrepreneurship of RS, and the Ministry of Trade of FBH.

2.8 Monitoring of systemic risks in the financial system

The CBBH performs the financial stability monitoring function, which implies timely identification of vulnerabilities in the country's financial system. The goal of the CBBH's activities in this area is to improve the understanding of the cause-and-effect relationships between the financial system and the macroeconomic environment, to warn financial institutions and other market participants of existing risks, to initiate a dialogue about risks and to take corrective measures that will reduce the consequences of the materialisation of risks. The CBBH's activities in the field of monitoring the financial system stability include specialised communication with relevant domestic and international institutions, which ensures the continuity of the process of monitoring systemic risks, as well as communication about risks to financial stability with the wider public. The CBBH contributes to the financial stability preservation through its membership in the BH Standing Committee for Financial Stability which, in addition to the governor of the CBBH and the manager of the banking agencies, also includes the Minister of Finance and Treasury of BH, entity ministers of finance, and the manager of the Deposit Insurance Agency of BH.

The CBBH informs the general public about risks to financial stability through a regular annual publication, the Financial Stability Report, which has been published on the CBBH website since 2007. By publishing the Financial Stability Report, the CBBH wants to point out to the public the consequences of current macroeconomic trends and trends in the financial, primarily banking sector, on the risks and challenges that the financial system will face in the coming periods. The reports regularly present the results of analyses for monitoring systemic risks.

The compilation and publication of a set of basic indicators of financial health according to the IMF methodology is also an important channel of communication between the CBBH and the wider public. Financial health indicators have been published quarterly on the CBBH website since mid-2009, and on the IMF website since September 2011. In 2022, reporting was fully methodologically aligned with the IMF's 2019 Compilation Guide on Financial Health Indicators.

In 2022, the CBBH improved the stress testing process in two directions. A framework for liquidity stress testing was established and the quarterly implementation of liquidity stress tests, which represent a new risk assessment tool in the banking sector of BH, was initiated, as well as the preparation of regular quarterly reports on liquidity stress test results. The first liquidity stress test was conducted on the database for the end of 2021. Also, in the course of 2022, the improvement of solvency stress testing took place, which has been carried out quarterly in the CBBH for several years

and represents one of the main tools for quantifying the effects of systemic risks on the banking system. Improvements in the existing framework for solvency stress testing resulted in greater precision in credit risk assessments, and a new way of calibrating stress scenarios was also implemented, which from 2022 are based on the CBBH model for macroeconomic projections. More detailed explanations of changes to the solvency stress test framework were presented in a research paper published on the CBBH website in April 2022³⁹. Solvency and liquidity stress test findings, including stress test results reports, are shared with banking agencies. The Standing Committee for Financial Stability is informed about the results of the solvency stress tests through the appropriate form of the Report on the results of the stress tests. Aggregated results of stress tests conducted with year-end data are published in the Financial Stability Report.

In addition to the established framework for liquidity stress testing, two other new tools were developed in 2022 for conducting analysis and assessment of systemic risks. At the beginning of 2022, a tool for assessing the financial cycle for BH was developed, while in the second part of the year, a tool for calibrating the countercyclical capital buffer was developed. The financial cycle for BH was estimated for the first time on the basis of relevant series of data ending at the end of 2021, after which the financial cycle for BH continued to be assessed on a quarterly basis. The results of the financial cycle assessment based on data for the end of 2021 were published in the 2021 Financial Stability Report. The tool for calibrating the countercyclical capital buffer was developed for the purpose of providing support to Entities Banking Agencies in macroprudential supervision, and to the Deposit Insurance Agency of Bosnia and Herzegovina, for the purpose of calibrating risk-based premiums. Calibration of the countercyclical capital buffer will also be carried out on a quarterly basis.

In the course of 2022, cooperation with the ECB in updating of information related to the "Report on Financial Stability of EU Candidate and Potential Candidate Countries" continued, which is reflected in the delivery of a comprehensive set of data, information and clarifications of current situation and trends in the domestic financial sector. The goal of this publication is to contribute to a better understanding of systemic risks in the region through the analysis of trends in the financial systems of these countries and the assessment of current challenges to financial stability. The report is prepared every two years, and the information is updated for the ECB's needs on an annual basis.

Continuous cooperation with other relevant domestic and international institutions and the upgrading of the existing analytical capacities of the CBBH in the field of financial stability continued in 2022. Through education and technical assistance programmes, compliance of the approach to analysing and identifying systemic risk with the best practices and trends in the world is ensured, as well as timely identification of systemic risks.

The tasks arising from the coordination of the activities of the Entities' Banking Agencies responsible for issuing banking licenses and supervision of banks continued throughout 2022. The cooperation and exchange of data and information between the CBBH and Entities Banking Agencies took place continuously in various areas of regular cooperation. The Governor of the CBBH and the managers of the banking agencies held meetings where important issues about the situation in the banking sector, the leasing sector and the microcredit sector were discussed. At the invitation of the Governor, the manager of the Deposit Insurance Agency in BH also attends the meetings, which contributes to the regular information of participants in the coordination of banking supervision about the state of insured deposits in BH and the activities of this agency, which, in addition to the CBBH and banking agencies, is an important actor in the financial network security.

2.9 Cooperation with international institutions and rating agencies

In December 2022, the European Council approved candidate status for Bosnia and Herzegovina, making another formal step in the process of accession to the European Union. In a complex and challenging geopolitical context, highlighting European values as stated in Article 49 of the Treaty on European Union: *"The application for membership in the European Union can be submitted by any European country whose organisation is based on the principles of freedom, democracy, respect for human rights and fundamental freedoms, and the rule of law"* has exceptional significance.

In the coming period, after the fulfillment of the set criteria and the opening of negotiations, the most demanding phase of accession to the EU will begin, in which the CBBH will have greater obligations and a stronger role.

As in previous years, during 2022 the CBBH continued to actively participate in the EU integration process, and ensured a quality contribution and fulfilled all obligations in the EU integration process of Bosnia and Herzegovina. The CBBH participated in the development of the Annex to the European Commission's Annual Report for BH, as well as in regular annual activities as part of the creation of the Economic Reform Programme (ERP), including participation in consultations and meetings with the European Central Bank, during the regular dialogue on economic policy within the EU Economic and Financial Affairs Council (ECOFIN). In the annual BH Progress Report for the year 2022, and the conclusions of ECOFIN, the European Commission (EC) and the European Central Bank (ECB) positively evaluated the activities of the CBBH, and confirmed strong support for the Currency Board's monetary policy. The EC Report particularly emphasises the need to ensure the independence of the CBBH and the integrity of the monetary policy. The CBBH contributed to the work of bodies established to monitor the realisation of contractual obligations from the Stabilisation Agreement. Among other things, the CBBH, as part of the BH delegation, participated in November 2022 at the Sixth meeting of the Subcommittee on Economic and Financial Issues and Statistics within the framework of the Stabilisation and

³⁹ Research studies (cbbh.ba); <https://cbbh.ba/Content/Archive/1141>

Association Agreement between the European Union and Bosnia and Herzegovina.

During 2022, the CBBH ensured intensive and high-quality communication and cooperation with the institutions of the European Union, EU Central Banks and other partners in the EU integration process, and fulfilled all obligations of Bosnia and Herzegovina in the EU integration process. Through the achieved results and the improvement of business processes and analytical tools, the CBBH has confirmed its strong commitment to the European perspective, improving operations in accordance with EU recommendations.

The Central Bank participated in the meeting of the Working Group for the Cooperation of Central Banks of the European System of Central Banks (ESCB), a sub-structure of the International Relations Committee of the ESCB, among other things, responsible for the coordination of technical cooperation projects of EU central banks, and ensured the participation of the CBBH in multilateral and regional technical cooperation projects. After successful implementation of the "Programme for strengthening the capacities of Central Banks of the Western Balkans with the aim of integration into the ESCB" (2019 - 2021), the Deutsche Bundesbank and the EC, within the framework of the IPA financial instrument, started in September 2022 the second phase of the support programme for Central Banks and banking agencies in the candidate and potential candidate countries of the Western Balkans. The programme will last until 2025 with the coordination of the Deutsche Bundesbank, the participation of 20 central banks of the ESCB and the contribution of the ECB. The purpose of the Programme is to strengthen monetary and financial stability in the region through further strengthening of the institutional capacities of central banks in the Western Balkans, as well as improving the network of contacts and strengthening the institutional dialogue between central banks.

In 2022, too, we continued the implementation of the Bilateral Assistance and Capacity Building Programme for central banks, which is financed by the Swiss State Secretariat for Economic Affairs (SECO). During the programme, with the support of the Institute for International and Development Studies in Geneva, the following areas of central banking were addressed: analysis and implementation of monetary policy (management of foreign exchange reserves and strengthening of research capacities); statistics; human resources management, and; area of operational risk. Thanks to the help and support of the SECO Secretariat, the CBBH implemented all agreed activities and ensured the sustainability of knowledge and introduced changes, as well as synchronisation with all the numerous projects and recommendations of other financial institutions and donors. In addition to the improvement of macroeconomic analyses and the existing processes of creating medium-term macroeconomic projections and nowcasts, it is important to mention the improvements in the area of risk management, as well as the improvement of transparency and communication strategy.

In September 2022, Bosnia and Herzegovina hosted a meeting of the Dutch-Belgian constituency of the International Monetary Fund and the World Bank, which was addressed by the Governor of the CBBH. Bearing in mind that Bosnia and Herzegovina is represented in the IMF through the Dutch-Belgian constituent group, cooperation with the Bank of the Netherlands continued, primarily through participation in forums and workshops in the field of research and monetary policy.

Organised by the Central Bank of BH, during 2022, three online missions of the international rating agencies Standard & Poor's and Moody's Investors Service were held with relevant international and domestic institutions in BH with the aim of evaluating the sovereign credit rating of BH. Both international rating agencies confirmed the previously established credit rating: Standard & Poor's agency "B/with stable outlook", and Moody's Investors Service agency "B3/with stable outlook".

2.10 Risk management

Risk management in the CBBH is carried out in a systematic and structured manner in accordance with the general framework of risk management defined by the Policy of Integrated Risk Management in the CBBH. The general framework defines the goals and principles of risk management, the organisation of risk management, the basic types of risks that the CBBH faces in its operations, as well as the risk management process.

Risk management in the CBBH is based on the model of three lines of defence against risk. The first line of defence consists of organisational units/forms that are directly involved in business processes and manage the associated risks. The second line of defence consists of committees responsible for risk management (Risk Committee and Investment Committee), specialised experts who perform methodological and control functions of risk management, and the organisational form responsible for risk management. The purpose of the committee is to support the governor and the Governing Board in regular monitoring, coordination and provision of information on risk management. The third line of defence consists of the Office of Chief Audit Executive and the Audit Committee.

In the course of 2022, the Risk Committee considered issues mainly in the field of operational risk management, business compliance and information security, while the Investment Committee considered issues related to the management of foreign exchange reserves of the CBBH. In 2022, operational risk management continued to take place in accordance with the adopted operational risk management framework, which consists of: Operational risk management policy in the CBBH, Methodology for operational risk management in the CBBH and Methodology for collecting data on incidents and calculating operational value at risk. The purpose of operational risk management is to provide reasonable assurance that the CBBH will achieve its mission and goals, protect reputation and financial resources in accordance with the risk tolerance policy. Also, operational risk management

aims at integrating risk information into decision-making processes in the CBBH.

As a result of the continuation of activities aimed at the development of the compliance function in the CBBH, in the course of 2022, several key activities that have a significant impact on building integrity, ethical business, adequate management of conflicts of interest and the fight against corruption were completed. The Guidelines for the Management of Conflict of Interest and the Guidelines for Gifts and Hospitality were adopted as important anti-corruption tools and operational documents that provide clear guidelines to officials and appointed persons for dealing with situations that may represent or represent a conflict of interest, i.e. guidelines on dealing with gifts and hospitality.

In accordance with the recommendations of the IMF, in the course of 2022, an audit of cyber risks in the CBBH was carried out by an external auditor. In order to improve the security of the information environment, an analysis of the obtained findings and an action plan for the treatment of measures were made. Additionally, in order to strengthen the resilience of the CBBH information environment, an information system security test (penetration testing) was conducted by attempting to use anonymous reports from external collaborators on the external and internal segments of the information environment.

The CBBH expert team has carried out harmonisation with the recommendations of the Swift CSP programme for the year 2022. The audit of the derived security status and level of compliance with the Swift standard was performed by an independent external auditor.

In 2022, the CBBH was certified for dealing with classified data in accordance with the Law on the Protection of Secret Data in BH. In cooperation with the competent Ministry of Security of Bosnia and Herzegovina, during 2022, activities were undertaken and carried out to fulfill the conditions for receiving, processing and storing secret data in accordance with the Law on the Protection of Secret Data, which relate to personal security, physical security, document security and IT security. A number of acts and procedures were adopted, and security checks for officials were successfully carried out in accordance with the Decisions of the CBBH.

2.11 Internal audit process

The regulatory framework for performing the internal audit function is represented by the Law on the Central Bank of Bosnia and Herzegovina, the By-law on Internal Audit in the Central Bank of Bosnia and Herzegovina, the Internal Audit Operations Manual in the Central Bank of Bosnia and Herzegovina, and the obligatory guidelines of the International Professional Practice Framework

for Internal Auditing. The goal of the internal audit is to help the CBBH achieve its strategic goals and efficiently perform its tasks, checking whether the implementation of management and control mechanisms is appropriate, economical and consistent in relation to legal regulations, internal acts and other regulations. Internal audit provides opinions, recommendations and advice regarding the activities that are the subject of the audit.

The activities of the Office of Chief Audit Executive of the CBBH, during 2022, were focused on the execution of duties defined in Article 20 of the Law, the Strategic Internal Audit Plan for the period 2022-2024, the Internal Audit Plan for 2022, and the implementation of operations and tasks determined by the Work Plan of the Central Bank for 2022. According to the internal audit plan for 2022, four audits were planned and carried out.

2.12 Other

2.12.1 Human resources management

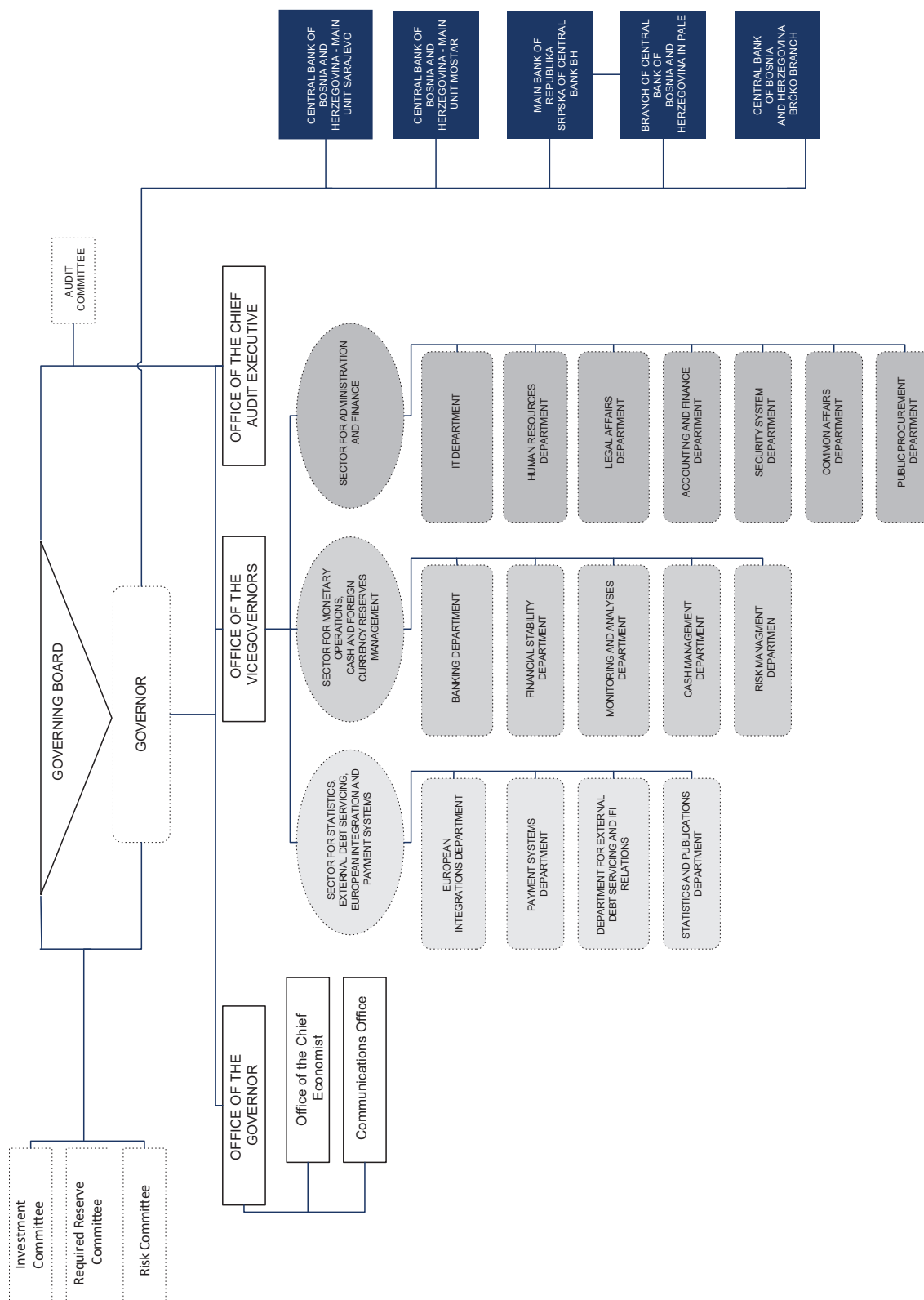
The highest body of the CBBH is the Governing Board (GB), which is responsible for determining the monetary policy and controlling its implementation, organisation and strategy of the CBBH in accordance with the powers established by the Law. The Governing Board consists of the Governor, who chairs the Board, and four members (Table 2.7). The Central Bank Management consists of the Governor and three Vice Governors appointed by the Governor, with the approval of the Governing Board. The task of the Governing Board is the operational management of the Central Bank's operations. Each Vice Governor is directly responsible for the work of one sector of the Central Bank (see organisational chart of the CBBH).

Table 2.7: The CBBH Management Structure at 2022 End

The CBBH Governing Board	Senad Softić, Ph.D., chairman
	Radomir Božić, Ph.D., member
	Šerif Isović, M.Sc., member
	Dragan Kulina, Ph.D., member
	Danijela Martinović, Ph.D., member
The CBBH Management	Senad Softić, Ph.D., Governor
	Ernadina Bajrović, M.A., Vice Governor in charge of the Administration and Finance Sector
	Željko Marić, Ph.D. Vice Governor in charge of the Sector for Statistics, Foreign Debt Servicing, European Integration and Payment Systems
	Marko Vidaković, M.Sc., Vice Governor in charge of the Sector for Monetary Operations, Management of Foreign Exchange Reserves and Cash

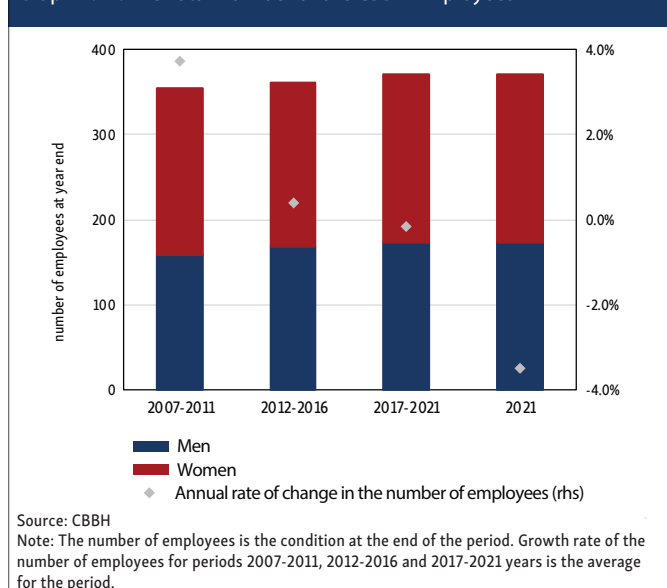
Source: CBBH

ORGANIZATIONAL CHART OF THE CENTRAL BANK OF BOSNIA AND HERZEGOVINA



In the course of 2022, we were taking care about the rationalisation of the number of employees, while ensuring the continuity of all business processes and functional organisation of work. Due to the natural fluctuation of employees, caused by the retirement of employees or mutual termination of the employment relationship, along with the limited admission of new employees, the total number of employees was significantly reduced. The admission of new employees did not exceed the planned total number of employees. As at 31 December 2022, the Central Bank employed a total of 347 employees (Graph 2.24). Of the total number of employees, 79.54% had a university degree, of which ten had a doctorate and 72 a master degree. The average age of employees was 46 years, and of the total number of employees at the end of 2022, 48.7% were women.

Graph 2.24: The Total Number of the CBBH Employees



One of the missions of the CBBH is to help higher education institutions in BH, which is reflected in the signed cooperation agreements with several faculties of economics in BH, and giving students, postgraduates and academic researchers the opportunity to gain much-needed experience through internships in the CBBH. Student internship is something that the CBBH has been organising for more than 10 years, during which hundreds of students have passed through our institution. Applications for summer internships are accepted in the period March - September, and for study internships throughout the year. The duration of the summer internship is 20 days, and the student internship is from 5 to 15 days. During the student internship, the CBBH provides financial assistance to participating students, including a fee that serves to cover the costs of transportation and food during the internship.

2.12.2 Communication with the public

The year 2022 was one of the most dynamic years in terms of communication with the public, since the activities of the CBBH were also such, requiring greater, faster and better communication with the public. In order to monitor the strategic goals of the CBBH and determine the dynamics of their communication, the CBBH

Communication Strategy for the period 2022 - 2026 was drawn up, which defines the key goals, rules, principles and methods of information and communication activities in the segments of internal, external and crisis communication. This strategy states the key principles of information and communication activity for the period of the next four years, which will further be operationalised by the Action Plan.

In the course of 2022, extremely intensive PR activities towards the public were registered, with the use of the media, website and social networks as channels, and the CBBH press releases or the CBBH positions on a certain actual topic were published on an almost daily basis. A newer form of communication, meetings with the media, which is recognized as a good form of thematic socializing, was also organized during 2022, and six meetings with media representatives were organized on the following topics: inflation; statistics produced by the CBBH; presentation of the Guide for digital payments; mandatory reserve; management of foreign exchange reserves, and; integrity in the work of the CBBH. The number of media announcements from these gatherings was extremely large, and the CBBH's benefit from organising such events is multiple: it educates and informs journalists; eliminates ambiguities; strengthens contacts with media houses, through the media as a channel, informs the public; intensifies the representation of the CBBH and its activities in the media, and; affects the strengthening of reputation. Following global trends, the CBBH has fully incorporated communication through social networks into a full-fledged part of the bank's communication strategy. Social networks of the CBBH were used to inform the public about the activities of the CBBH. In terms of content, the information is more adapted to social networks and is available to the general public.

A special challenge at the beginning of 2022 was communication related to the crisis caused by the restructuring of Sberbank in Sarajevo and Banja Luka, through media appearances and announcements from the sessions of the Standing Committee for Financial Stability (SCFS). Through a joint press release of the CBBH and Entities' Banking Agencies, the public was informed in time that the restructuring of Sberbank had been successfully completed, that the deposits have been safe, and that the CBBH has distributed money to Sberbank without any problems for increased payment of deposits, in case citizens continue to withdraw their savings.

With various activities, the CBBH marked the 25th anniversary of its work, and on this occasion a acknowledgement publication was made, and a numismatic set of convertible mark coinage and banknote specimens was issued. The CBBH building is included in the collection of BH postage stamps, on the theme and motif of "Cultural-Historical Heritage - Building of the Central Bank of Bosnia and Herzegovina". In 2022, a new visual identity of the CBBH was created - the logo, which was used in all forms of communication. The process of creating a new logo was motivated by the need to improve and modernise the institution's visual identity.

The CBBH remained active in the field of financial education and inclusion of citizens of BH. With the support of the Development

Instrument of the European Fund for Southeast Europe (EFSE DF), a pilot project of cooperation with secondary schools in the provision of financial education was implemented, with the aim of defining possible steps and proposals for introducing financial education into school curricula. As part of the project, representatives of the CBBH and EFSE DF organised training for teachers and pupils, and after the training, the pupils, as peer educators, held a lecture in their own schools. Upon completion of the pilot project, the CBBH, in cooperation with EFSE DF, organised a round table and presentation of the results of the pilot project. The round table and presentation of the results of the pilot project of financial education in secondary schools, in addition to CBBH and EFSE DF officials, were also attended by representatives of the Ministry of Education of Sarajevo Canton, the Institute for Pre-University Education, school principals, teachers and students - educators of the schools involved in the project. The discussion during the round table focused on future steps and modalities of cooperation. The implementation of the financial education project, which began in secondary schools in Sarajevo, has been extended by the CBBH to its main units and branches. As a form of financial education of the households, the CBBH, in cooperation with the World Bank, promoted the online Guide on digital payments, which was developed with the aim of better information and gaining knowledge about modern technologies and the possibilities of digital payments available on our financial market.

The professional and proactive approach of the CBBH is recognised outside the borders of BH, and the CBBH was awarded by Capital Finance International in two categories: Best Central Bank Governance CEE 2022 (for the Best Central Bank Governance in Central and Eastern Europe in 2022) and Outstanding Contribution to Economic Development of Bosnia and Herzegovina 2022. Central Banking, a media agency based in Great Britain that covers the operations of central banks and financial regulators, awarded the CBBH a prestigious international award in the "transparency" category, for strengthening integrity and introducing the Ethics Line as an independent anti-corruption tool, and for strengthening communication with the public. In the explanation for awarding the prize, the Central Bank of Bosnia and Herzegovina was characterized as a "pioneering" public institution, i.e. as one of the few public institutions that has implemented the Ethics Line, which offers the possibility of anonymous reporting on the existence of corruption and other irregularities in work, and adopted the Code of Ethics and acts relating to conflicts of interest, gifts and hospitality. Strengthening communication with the public and financial education are also categories that, in order to strengthen transparency, have been recognised for this award.

2.12.3 Energy efficiency projects, preservation of national monuments

The building of the CBBH, at 25 Maršala Tita Street in Sarajevo, was declared a national monument, and classified as "national monument of exceptional importance for Bosnia and Herzegovina". During 2022, activities and works were performed to preserve the building, and current maintenance of the building is carried out continuously. During the year 2022, measurements of the percentage of capillary moisture in the walls of the basement

were made, which were submitted to the Institute for the Protection of Monuments, which proved the effectiveness of the previously installed electronic devices. In 2022, the By-law on the implementation of protection measures for preservation of the building - the building of the National (Central) Bank in Sarajevo and movable property proclaimed a national monument of Bosnia and Herzegovina was issued, regulating the authorisations, obligations and the manner of action of the organisational forms, management bodies, bodies and employees of the Central Bank of Bosnia and Herzegovina in the implementation of protection measures on the building of the Central Bank bank - the national monument and movable property, which are prescribed by the decision of the Commission to Preserve national monuments. A monitoring plan was also created with individual files for each movable property (art paintings, sculptures and cash registers). The monitoring plan contains the exact position of the movable heritage in the national monument building, parameters of humidity and temperature in the space, a detailed description of the movable heritage and the resulting changes, an assessment of the value of the movable property and photo documentation. During the planning and execution of all works on the building, cooperation is achieved with the Institute for the Protection of Monuments: approval should be obtained for each individual project and intervention, the Central Bank sends a notification about the start time of the works, and cooperation is achieved with the supervising body and during the handover of the completed works.

In 2022, the CBBH was certified for dealing with classified data in accordance with the Law on the Protection of Secret Data in BH. In cooperation with the competent Ministry of Security of Bosnia and Herzegovina, during 2022, activities were undertaken and carried out to fulfill the conditions for receiving, processing and storing secret data in accordance with the Law on the Protection of Secret Data, which relate to personal security, physical security, security of documents and IT security. A number of acts and procedures were adopted, and security checks for officials were successfully carried out in accordance with the Decisions of the CBBH.

In accordance with the Decision on the establishment of an energy management system and energy efficiency information system in the institutions of Bosnia and Herzegovina, continuous data entry into the energy management information system (EMIS) and monitoring of energy consumption (gas, electricity, water) is performed. Entry in EMIS is made for all facilities of the Central Bank on a monthly basis for all measuring points in the facilities. During the year 2022, on several occasions, the existing fluorescent lamps and fluorescent tubes were replaced with more energy-efficient LED lamps and LED tubes, thereby achieving savings in electricity consumption. During the year 2022, numerous steps were taken to improve energy efficiency of the Central Office facilities. The CBBH regularly, in accordance with the legal regulations, also measures the emission of pollutants into the air, and cleans the chimneys, submitting reports to competent institutions thereof. Measurements are made on an annual basis, and the measurement results continuously show that the emission of pollutants is within the permitted limits.



Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ

Financial statements and Independent auditor's report

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3. FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

CENTRAL BANK OF BOSNIA AND HERZEGOVINA *Financial statements for the year ended 31 December 2022*

FINANCIAL REPORTING RESPONSIBILITY

The Management of the Central Bank of Bosnia and Herzegovina is responsible for the financial statements which are prepared in accordance with the Law on the Central Bank of Bosnia and Herzegovina and International Financial Reporting Standards.

The Management is responsible for the consistent application of selected accounting policies, making judgements and estimates that are reasonable and prudent and for maintaining proper accounting records to enable the preparation of the financial statements at any time. The Management has a general responsibility for taking steps which are reasonably available and for implementation of such internal controls to safeguard the assets of the Central Bank of Bosnia and Herzegovina and to prevent and detect fraud and other irregularities.

The Governing Board is responsible for selecting suitable accounting policies to conform to applicable International Financial Reporting Standards. The Governing Board considers the financial statements and oversees the Central Bank of Bosnia and Herzegovina financial reporting process.

In overseeing the financial reporting process, the Governing Board is assisted by the Audit Committee, which is consisted of three independent members. The Audit Committee reviews the annual financial statements, which are then considered and approved by the Governing Board and submitted to the Parliamentary Assembly of Bosnia and Herzegovina and the Presidency of Bosnia and Herzegovina.

These 2022 financial statements have been audited by the independent auditors of the Central Bank of Bosnia and Herzegovina ERNST & YOUNG d.o.o. Sarajevo and ERNST & YOUNG d.o.o. Ljubljana and their report is presented on pages 2 to 4. The independent auditors have been provided with full and unrestricted access to all information and communication needed to implement and discuss their audit procedures.

The accompanying financial statements set out on pages 5 to 83 are approved by the Governing Board on 30 March 2022.


Senad Softić, Ph.D.
Chairman of the Governing Board
Governor




Vesna Paćuka, MA
Head of Accounting and Finance Department



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Independent auditor's report

To the Governing Board of the Central Bank of Bosnia and Herzegovina

Opinion

We have audited the financial statements of Central Bank of Bosnia and Herzegovina (the Central Bank), which comprise the Statement of Financial Position as at 31 December 2022, and the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Central Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Central Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Bosnia and Herzegovina, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Management, the Governing Board and the Audit Committee for the Financial Statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Central Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Central Bank or to cease operations, or has no realistic alternative but to do so.

The Governing Board is responsible for overseeing the Central Bank's financial reporting process. The Audit Committee assists the Governing Board in overseeing the financial reporting process.



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Independent auditor's report (*continued*)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Central Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Central Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



**Building a better
working world**

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Independent auditor's report (*continued*)

Auditor's Responsibilities for the Audit of the Financial Statements (*continued*)

We communicate with the Governing Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Governing Board and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Danijela Mirković, procurator

Ernst & Young d.o.o. Sarajevo
Vrbanja 1 (SCC - Sarajevo City Center)
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Bosnia and Herzegovina

Sarajevo, 30 March 2023



Tarik Alijagić, licensed auditor

Ernst & Young d.o.o. Sarajevo
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Sarajevo, 30 March 2023

Janez Uranič, partner

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Ljubljana, 30 March 2023

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CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Financial statements for the year ended 31 December 2022

STATEMENT OF FINANCIAL POSITION

In thousands of KM	Note	31 December 2022	As at 31 December 2021
ASSETS			
Cash in foreign currencies	7	572,020	469,585
Deposits with foreign banks	8	8,273,200	3,945,097
Special Drawing Rights with the IMF	9, 37	149	1,881
Debt instruments at fair value through other comprehensive income	10	5,887,589	11,629,592
Monetary gold	11	160,040	301,987
Debt instruments at amortised cost	12	1,172,862	-
Other assets	13	19,280	16,927
Property and equipment	14	48,535	50,177
Intangible assets	15	844	983
Other investments	16	27,813	27,813
TOTAL ASSETS		16,162,332	16,444,042
LIABILITIES AND EQUITY			
LIABILITIES			
Banknotes and coins in circulation	17	7,436,097	6,923,818
Deposits from banks	18	7,217,387	7,219,617
Deposits from the Government and other public institutions	19	958,245	1,429,596
Provisions	20	897	1,406
Other liabilities	21	4,301	8,162
Total liabilities		15,616,927	15,582,599
EQUITY			
Initial capital		25,000	25,000
Reserves		520,405	836,443
Total equity	33	545,405	861,443
TOTAL LIABILITIES AND EQUITY		16,162,332	16,444,042

The accompanying notes on pages 12 to 83 are an integral part of these financial statements.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Financial statements for the year ended 31 December 2022

STATEMENT OF PROFIT OR LOSS

In thousands of KM	Note	For the year ended 31 December	
		2022	2021
Interest income		78,832	55,568
Interest expense		(39,026)	(45,420)
NET INTEREST INCOME	22	39,806	10,148
Fee and commission income		22,704	20,970
Fee and commission expenses		(791)	(813)
NET FEE AND COMMISSION INCOME	23	21,913	20,157
Net realised (losses) / gains from sale of debt instruments at fair value through other comprehensive income	24	(63,470)	4,949
Net realised gains from sale of monetary gold	25	60,014	-
Net foreign exchange (losses)	26	(42)	(486)
Net impairment on financial assets	27	(924)	(426)
Other income	28	850	1,402
OPERATING INCOME		58,147	35,744
Personnel expenses	29	(18,622)	(19,669)
Administrative and other operating expenses	30	(6,991)	(6,514)
Costs of production of banknotes and coins	31	(3,732)	(4,143)
Depreciation and amortisation charge	14, 15	(2,903)	(2,521)
OPERATING EXPENSES		(32,248)	(32,847)
NET PROFIT FOR THE YEAR	32	25,899	2,897

The accompanying notes on pages 12 to 83 are an integral part of these financial statements.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Financial statements for the year ended 31 December 2022

STATEMENT OF COMPREHENSIVE INCOME

In thousands of KM	Note	For the year ended 31 December	
		2022	2021
NET PROFIT FOR THE YEAR		25,899	2,897
Other comprehensive (loss) / income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Debt instruments at fair value through other comprehensive income			
Net change in fair value during the year	10	(365,150)	(129,592)
Net change in provisions for expected credit losses recognised in profit or loss during the year	6.1.1., 27	(239)	330
Reclassification to profit or loss from sale of debt instruments	24	63,470	(4,949)
		(301,919)	(134,211)
Monetary gold			
Net change in fair value during the year	11	19,996	10,426
Reclassification to profit or loss from sale of monetary gold	25	(60,014)	-
		(40,018)	10,426
Total other comprehensive (loss)		(341,937)	(123,785)
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR		(316,038)	(120,888)

The accompanying notes on pages 12 to 83 are an integral part of these financial statements.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Financial statements for the year ended 31 December 2022

STATEMENT OF CHANGES IN EQUITY

In thousands of KM	Initial capital	Fair value reserves for debt and equity instruments	Fair value reserves for monetary gold	Other reserves	General reserves (Retained earnings)	Total reserves	Total equity
Balance at 1 January 2022	25,000	158,914	98,129	31,300	548,100	836,443	861,443
Total comprehensive (loss) / income for the year	-	(301,919)	(40,018)	-	25,899	(316,038)	(316,038)
Net profit for the year (Note 32)	-	-	-	-	25,899	25,899	25,899
Other comprehensive (loss)	-	(301,919)	(40,018)	-	-	(341,937)	(341,937)
Net unrealised negative changes in fair value for debt instruments	-	(365,150)	-	-	-	(365,150)	(365,150)
Net releases of provisions for expected credit losses for debt instruments recognised in profit or loss	-	(239)	-	-	-	(239)	(239)
Net realised negative changes in fair value for debt instruments sold transferred to profit or loss	-	63,470	-	-	-	63,470	63,470
Net unrealised positive changes in fair value for monetary gold	-	-	19,996	-	-	19,996	19,996
Net realised positive changes in fair value for monetary gold sold transferred to profit or loss	-	-	(60,014)	-	-	(60,014)	(60,014)
Balance at 31 December 2022	25,000	(143,005)	58,111	31,300	573,999	520,405	545,405

The accompanying notes on pages 12 to 83 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

In thousands of KM	Initial capital	Fair value reserves for debt and equity instruments	Fair value reserves for monetary gold	Other reserves	General reserves (Retained earnings)	Total reserves	Total equity
Balance at 1 January 2021	25,000	293,125	87,703	31,300	545,203	957,331	982,331
Total comprehensive (loss) / income for the year	-	(134,211)	10,426	-	2,897	(120,888)	(120,888)
Net profit for the year (Note 32)	-	-	-	-	2,897	2,897	2,897
Other comprehensive (loss) / income	-	(134,211)	10,426	-	-	(123,785)	(123,785)
Net unrealised negative changes in fair value for debt instruments	-	(129,592)	-	-	-	(129,592)	(129,592)
Net increase in provisions for expected credit losses for debt instruments recognised in profit or loss	-	330	-	-	-	330	330
Net realised positive changes in fair value for debt instruments sold transferred to profit or loss	-	(4,949)	-	-	-	(4,949)	(4,949)
Net unrealised positive changes in fair value for monetary gold	-	-	10,426	-	-	10,426	10,426
Balance at 31 December 2021	25,000	158,914	98,129	31,300	548,100	836,443	861,443

The accompanying notes on pages 12 to 83 are an integral part of these financial statements.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Financial statements for the year ended 31 December 2022

STATEMENT OF CASH FLOWS

		For the year ended 31 December	
	Note	2022	2021
In thousands of KM			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		25,899	2,897
Adjusted for:			
Interest income	22	(78,832)	(55,568)
Interest expense	22	39,026	45,420
Net impairment on financial assets	27	924	426
Net realised losses / (gains) from sale of debt instruments at fair value through other comprehensive income	24	63,470	(4,949)
Net realised (gains) from sale of monetary gold	25	(60,014)	-
Net foreign exchange losses	26	42	486
Income from grants		(3)	(6)
Provisions, net (release) / increase	20, 29	(327)	171
Net losses / (gains) on disposal of property, equipment and intangible assets		3	(56)
Dividend income recognised in profit or loss	28	(721)	(1,297)
Depreciation and amortisation charge	14, 15	2,903	2,521
Net cash flows used in operating activities before changes in operating assets and liabilities		(7,630)	(9,955)
Changes in operating assets and liabilities			
(Increase) / decrease in term deposits with foreign banks		(566,900)	635,115
Decrease / (increase) in debt instruments at fair value through other comprehensive income		5,376,853	(2,157,869)
(Increase) in debt instruments at amortised cost		(1,173,087)	-
Decrease in monetary gold		161,943	-
(Increase) in other assets		(1,601)	(3,975)
Increase in banknotes and coins in circulation	17	512,279	751,361
(Decrease) / increase in deposits from banks		(1,336)	1,320,973
(Decrease) / increase in deposits from the Government and other public institutions		(471,351)	532,552
(Decrease) / increase in other liabilities		(3,885)	4,154
Payments from provisions	20	(182)	(179)
Interest received		75,142	53,070
Interest paid		(39,026)	(45,100)
Net cash from operating activities		3,861,219	1,080,147
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment		-	57
Purchases of property, equipment and intangible assets	14, 15	(1,125)	(3,888)
Dividend received		721	1,297
Net cash used in investing activities		(404)	(2,534)

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Financial statements for the year ended 31 December 2022

STATEMENT OF CASH FLOWS (CONTINUED)

In thousands of KM	Note	For the year ended 31 December	
		2022	2021
Net effects from impairment for expected credit losses on cash and cash equivalents		(894)	(184)
Net effects of exchange rates on cash and cash equivalents held		(14)	(391)
Net increase in cash and cash equivalents		3,859,907	1,077,038
Cash and cash equivalents at the beginning of the year		3,986,726	2,909,688
Cash and cash equivalents at the end of the year	34	7,846,633	3,986,726

The accompanying notes on pages 12 to 83 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Central Bank of Bosnia and Herzegovina (the “Central Bank”) is the supreme monetary authority of Bosnia and Herzegovina state (“BH”). Its establishment, organisation and operations have been defined by the Law on the Central Bank of Bosnia and Herzegovina, Official Gazette BH no: 1/97, 29/02, 08/03, 13/03, 14/03, 09/05, 76/06 and 32/07 (the “Law on the Central Bank”), adopted by the Parliamentary Assembly of Bosnia and Herzegovina, according to the General Framework Peace Agreement in Bosnia and Herzegovina (the Constitution).

The Central Bank has been established on 20 June 1997 and started its operations on 11 August 1997.

The Central Bank operates through its Head Office, three main units located in Sarajevo, Mostar and Banja Luka, and two branches, one in Brčko and other in Pale, the latter of which operates under the authorisation of the main unit in Banja Luka.

Head Office of the Central Bank is located in Sarajevo, Maršala Tita Street, No. 25.

The main objective of the Central Bank is to achieve and maintain the stability of the domestic currency by issuing it in accordance with the currency board rule. The currency board rule, required by the Law on the Central Bank, implies that the domestic currency must be issued only with full coverage in convertible foreign currency reserves. Nevertheless, the Central Bank has an obligation to purchase and sell Convertible Mark (KM) for Euro (EUR) on demand, without any restrictions at the official exchange rate of KM to EUR as $\text{KM } 1.95583 = \text{EUR } 1$, prescribed by the Law on the Central Bank.

The guaranteed convertibility of domestic currency and full coverage of monetary liabilities with convertible foreign currency reserves according to the currency board rule are the primary objectives of the Central Bank. All activities and operations of the Central Bank are undertaken in order to achieve the legally set goals and objectives with reference to preserve the stability of domestic currency in accordance with the currency board rule and are not, at any moment, aimed at profit maximization.

The Central Bank tasks as provided by the Law on the Central Bank include:

- determining, adopting and controlling the monetary policy of BH by issuing the domestic currency at the prescribed exchange rate with the full coverage in free convertible foreign currency reserves;
- holding and managing the official foreign currency reserves of the Central Bank in a safe and profitable manner;
- establishing and maintaining adequate payment and settlement systems;
- issuing provisions and guidelines for the performance of the Central Bank’s operations, in accordance with the Law on the Central Bank;
- coordinating the activities of the banking agencies, which are in charge of issuing banking licences and supervising banks in the entities;
- receiving deposits from BH institutions and public agencies, entities’ institutions and agencies and from domestic banks to fulfil their required reserve obligations;
- putting and withdrawing from circulation the domestic currency, including legal tender banknotes and coins, adhering strictly to the currency board rule;
- taking part in the operations of international organisations working on strengthening the financial and economic stability of the country;
- representing BH in international organisations regarding monetary policy issues.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

1. GENERAL INFORMATION (CONTINUED)

Key management of the Central Bank consists of two bodies: The Governing Board and the Management.

According to the Law on the Central Bank, all powers that are not specifically reserved for the Governing Board are vested in the Governor. The Governor is the chairman of the Governing Board and the chairman of the Management.

The Management of the Central Bank, in addition to the Governor, consists of three vice governors who are appointed by the Governor with the approval of the Governing Board. The Management operationally manages the Central Bank's activities.

As at reporting dates, key management members of the Central Bank are:

The Governing Board

Senad Softić Ph.D.	Chairman
Šerif Isović M.Sc.	Member
Radomir Božić Ph.D.	Member
Dragan Kulina Ph.D.	Member
Danijela Martinović Ph.D.	Member

The unique attitude of the existing Governing Board until the appointment of the new Governing Board by the Presidency of Bosnia and Herzegovina is the undisturbed and continuous implementation of the legal role, main tasks and functions of the Central Bank, in accordance with the Law on the Central Bank and its internal regulations.

The Management

Senad Softić Ph.D.	Governor
Ernadina Bajrović M.Sc.	Vice Governor
Željko Marić Ph.D.	Vice Governor (from 16 August 2021)
Marko Vidaković M.Sc.	Vice Governor (from 1 March 2022)
Želimira Raspudić	Vice Governor (until 30 June 2021)
Milica Lakić Ph.D.	Vice Governor (until 11 August 2021)

The Audit Committee evaluates the overall adequacy and the effectiveness of the financial reporting process of the Central Bank, reviews financial statements prior to their consideration and approval by the Governing Board as well as oversees the process of the external audit of the annual financial statements and the election process of the Central Bank's independent auditors. The supervisory functions of the Audit Committee also include supervision of the risk management framework and the system of internal controls, supervision of the compliance function and supervision of the internal audit function.

As at reporting dates, the members of the Audit Committee are:

The Audit Committee

Elvir Čizmić Ph.D.	Chairman (from 1 January 2022), Member (until 31 August 2021)
Dijana Ćavar Ph.D.	Member (from 1 January 2022)
Vasilj Žarković Ph.D.	Member (from 1 March 2022)
Mila Gadžić Ph.D.	Chairman (until 31 August 2021)
Radomir Repija	Member (until 31 August 2021)

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements of the Central Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”) published by the International Accounting Standards Board (“IASB”).

These financial statements have been prepared using the going concern assumption.

More information on the circumstances in which the operations of the Central Bank have been performed in 2022 is disclosed in Note 3.13.

2.2. Basis of measurement

These financial statements have been prepared under the accrual base of accounting and using the historical cost as a measurement base, except for the following material items:

Item	Basis of measurement
Financial assets at fair value through other comprehensive income	Fair value
Monetary gold	Fair value

2.3. Functional and presentational currency

The Central Bank’s financial statements are stated in the official national currency of BH which is the KM. All financial information has been rounded to the nearest thousand (unless otherwise stated).

2.4. Standards, interpretations and amendments to published standards that are effective in the current period

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Central Bank as at 1 January 2022:

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018 - 2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the previous version of the IASB’s Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit an entity from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, an entity recognises such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
- **Annual Improvements 2018 - 2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments had no impact on the financial statements of the Central Bank.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

2. BASIS OF PREPARATION (CONTINUED)

2.4. Standards, interpretations and amendments to published standards that are effective in the current period (continued)

- **IFRS 16 Leases - COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment)**

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The amendments had no impact on the financial statements of the Central Bank.

2.5. Standards and interpretations in issue not yet adopted

The following standards, amendments to existing standards and interpretations have been issued by the IASB, but are not effective for the year ended 31 December 2022 and have not been previously adopted by the Central Bank:

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The requirements of this standard are not expected to have a material impact on the Central Bank's financial statements.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

The amendments become effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The requirements of this standard are not expected to have a material impact on the Central Bank's financial statements.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how entities should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The requirements of this standard are not expected to have a material impact on the Central Bank's financial statements.

2. BASIS OF PREPARATION (CONTINUED)**2.5. Standards and interpretations in issue not yet adopted (continued)**

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Central Bank's financial statements.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Central Bank's financial statements.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Central Bank's financial statements.

2.6. Comparative financial information

For the purpose of fair and objective presentation of financial information in 2022, comparative balances in certain notes have been changed to provide the comparability of financial information. These changes have no significant impact on the Central Bank's overall financial performance and financial position for the comparative period. All changes have been made for the purpose to improve disclosures and transparency of the financial statements.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES

The Central Bank has been applying disclosed accounting policies consistently to all periods presented in these financial statements.

3.1. Financial assets and financial liabilities

3.1.1. Classification of financial assets and financial liabilities

The classification of financial assets and financial liabilities is determined at initial recognition.

A FINANCIAL ASSETS

The Central Bank can classify its financial assets in one of the following three categories at initial recognition:

- Financial assets subsequently measured at amortised cost,
- Financial assets subsequently measured at fair value through other comprehensive income and
- Financial assets subsequently measured at fair value through profit or loss.

As at reporting dates, the Central Bank did not have any financial assets classified at fair value through profit or loss.

The classification of financial asset is determined by:

- The Central Bank's business model for managing the financial assets and
- The contractual cash flow characteristics of the financial assets.

Business model

The business model reflects how the Central Bank manages financial assets in order to generate cash flows. As at reporting dates, the Central Bank manages its assets through following business models:

1. "Hold to collect contractual cash flows" model for financial assets that generate contractual cash flows during its lifetime and
2. "Hold to collect contractual cash flows and sell" model for financial assets that generate contractual cash flows during its lifetime and cash flows arising at the moment of sale.

Contractual cash flows from investing in debt instruments can be managed by both business models.

The Central Bank is obliged to reclassify all financial assets affected by the change in the business model, only if changing its business model for financial assets management.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1. Financial assets and financial liabilities (continued)

3.1.1. Classification of financial assets and financial liabilities (continued)

For financial assets that are managed through these models, the Central Bank assesses whether the contractual cash flows associated with the financial assets are solely payments of principal and interest on the principal amount outstanding. The assessment is made at a portfolio level because of its best reflection of the way the business is managed. For the purpose of assessment, “principal” is defined as fair value of the financial asset on initial recognition. “Interest” is defined as a consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time, and for other risks and costs related to the holding the financial asset.

In assessing whether the contractual cash flows are “solely payment of principal and interest”, the Central Bank considers the contractual cash flows of the instrument. Only financial assets that satisfy “solely payment of principal and interest” requirement can be classified into category of financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income.

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within the business model whose objective is to hold the financial assets and collect its contractual cash flows and
- by the contractual terms of the financial assets, cash flows arise on specified dates and are solely payments of principal and interest of the principal amount outstanding.

Financial assets are measured at fair value through other comprehensive income if the assets meet the following conditions:

- they are held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial asset and
- by the contractual terms of the financial assets, cash flows arise on specified dates to cash flows that are solely payments of principal and interest of the principal amount outstanding.

B Financial liabilities

The Central Bank classifies all its financial liabilities as subsequently measured at amortised cost, with the exception of banknotes and coins in circulation which are measured at their nominal value (Note 3.6). Financial liabilities are not reclassified.

3.1.2. Initial recognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised in the statement of financial position only when the Central Bank becomes one of the counterparties to which the contractual terms of the financial instrument are applied.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, except those classified at fair value through profit and loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, at initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised directly in profit or loss.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1. Financial assets and financial liabilities (continued)

3.1.2. Initial recognition of financial assets and financial liabilities (continued)

All financial assets are initially recognised at the settlement date which is the date that an asset is obtained from, or delivered to, the Central Bank.

3.1.3. Subsequent measurement of financial assets and financial liabilities

Subsequent measurement is determined by the selected classification of financial assets and financial liabilities.

The amortised cost of financial assets or financial liability is the amount at which financial assets or financial liability is measured on initial recognition decreased by the principal repayments, increased or decreased by the cumulative amortisation using the effective interest rate method on all differences between the initial amount and amount to maturity and, for financial assets, adjusted for any expected credit losses.

The gross carrying amount of financial assets is the amortised cost of financial assets before adjustment for impairment for expected credit losses.

The effective interest rate method is the method used in the calculation of the amortised cost (gross carrying amount) of financial assets or financial liability and allocation and recognition of interest income or expense in profit or loss over the certain period.

A Financial assets

Financial assets at amortised cost

After initial recognition, financial assets are measured at amortised cost using the effective interest rate method on the gross carrying amount of the assets. Effects of subsequent measurement of financial assets at amortised cost are recognised in profit or loss as interest income or interest expense arising from the effects of negative interest rates in the period they occurred.

As at reporting dates, the Central Bank's cash in foreign currencies, deposits with foreign banks, Special Drawing Rights with the IMF, debt instruments at amortised cost and other financial assets fall into category of financial assets at amortised cost.

Financial assets at fair value through other comprehensive income

After initial recognition, financial assets are measured at fair value through other comprehensive income using the effective interest rate method on the gross carrying amount of the assets and are adjusted to the fair value of the financial assets at each reporting date. For the period of holding, effects of subsequent measurement of financial assets at fair value through other comprehensive income are recognised as follows:

- Interest income or interest expense arising from the effects of negative interest rates are recognised in profit or loss in the period they occurred
- Fair value adjustments are recognised in other comprehensive income in the period they occurred.

When debt instruments at fair value through other comprehensive income are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss, including previously recognised impairment gains or losses.

As at reporting dates, the Central Bank's debt instruments fall into the category of financial assets at fair value through other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.1. Financial assets and financial liabilities (continued)****3.1.3. Subsequent measurement of financial assets and financial liabilities (continued)****Equity instruments**

The Central Bank has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity instruments that are not held for trading due to their specific characteristics and absence of non-active market for trading. Other investments represent equity instruments which are initially recognised at cost that is considered to be their fair value due to impossibility to reliably determine their fair value.

As at reporting dates, the Central Bank's equity instruments at fair value through other comprehensive income are composed of Bank for International Settlements (BIS) and SWIFT shares (Note 16).

Impairment of financial assets

Impairment requirements of financial assets use more forward-looking information to recognise expected credit losses. Instruments within the scope of these requirements include financial assets measured at amortised cost i.e., deposits with foreign banks, debt instruments at amortised cost and Special Drawing Rights with the IMF as well as debt instruments measured at fair value through other comprehensive income. The Central Bank uses a simplified approach in calculation of expected credit losses for other receivables. Equity instruments measured at fair value through other comprehensive income are not subject of impairment.

The Central Bank recognises an impairment for these losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes,
- The time value of money and
- Reasonable and useful information that is available without additional cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 6.1. provides more information about how the expected credit losses are measured.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1. Financial assets and financial liabilities (continued)

3.1.3. Subsequent measurement of financial assets and financial liabilities (continued)

Impairment for expected credit losses is calculated and presented in the statement of financial position as follows:

Financial assets measured at amortised cost: Expected credit losses are calculated on the gross carrying amount of the assets and recorded as a deduction from the gross carrying amount of the assets.

Debt instruments at fair value through other comprehensive income: Expected credit losses are calculated on the gross carrying amount of the assets, but impairment is recognised in other comprehensive income as provisions for expected credit losses that do not reduce the carrying amount of the financial assets in the statement of financial position.

Impairment of financial assets is recognised in profit or loss regardless of classification of financial assets at each reporting date.

B Financial liabilities

Interest income or interest expense arising from financial liabilities measured at amortised cost are recognised in profit or loss using the effective interest rate method.

Fee and commission income arising from financial liabilities is recognised when service is provided.

Financial liabilities measured at amortised cost include banknotes and coins in circulation, deposits from banks, deposits from the Government and other public institutions and other financial liabilities.

3.1.4. Derecognition of financial assets and financial liabilities

The Central Bank derecognises financial assets only when the contractual rights to the cash flows from the assets expire or it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another entity.

A financial liability is derecognised when it is extinguished, discharged or expired.

3.2. Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position on a net basis, only where there is a legally enforceable right to offset the recognised amounts and when there is an intention to present or settle the transactions on the net basis.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions.

3.3. Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents comprise the following categories: giro accounts, cash in foreign currencies, foreign currency demand deposits, foreign currency deposits with maturity up to three months or less from the date of acquisition and Special Drawing Rights with the IMF.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.4. Monetary gold**

Monetary gold is part of foreign currency reserves of the Central Bank and is classified as financial assets. Monetary gold is initially recognised at fair value, including transaction cost directly attributable to the acquisition of monetary gold.

After initial recognition, monetary gold is subsequently measured at fair value. Unrealized gains and losses arising from changes in fair value, referring to the price changes of monetary gold, are recognised in the fair value reserve account within other comprehensive income. Prior to the annual profit allocation, if unrealised losses exceed the balance of the fair value reserves for monetary gold, the Central Bank recognises the amount of negative balance in the profit or loss account which is then included in the profit available for distribution if the legally prescribed conditions for profit distributions are met.

On the sale of monetary gold, unrealized gains and losses from other comprehensive income are transferred to profit or loss.

The fair value of monetary gold is expressed in EUR, converted at the fixed rate of KM at the reporting date and is measured at the last quoted bid price for one ounce of gold as at reporting date.

3.5. Property, equipment and intangible assets

Property, equipment and intangible assets consist of assets obtained from the Central Bank's own funds and cash and non-cash grants. Property, equipment and intangible assets are stated at historical cost, less accumulated amortisation and accumulated impairment losses. Cost includes the purchase price and all costs directly related to bringing the asset into operating condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are recognised as expense as they incurred. Significant improvements and replacement of assets are capitalized.

Assets under construction are reported at their cost of construction including costs charged by third parties. Upon completion, all accumulated costs of the asset are transferred to the relevant property, equipment and intangible assets category to which corresponding depreciation and amortisation rates are subsequently applied.

Depreciation and amortisation of property, equipment and intangible assets are calculated on all assets, except land and assets in the course of construction, on a straight-line basis at prescribed rate designed to write off the cost of the assets over their estimated useful lives. The estimated depreciation and amortisation rates during 2022 and 2021 were as follows:

Property and equipment

Buildings	1.3% to 4.0%
Equipment	11.0% to 20.0%
Furniture	10.0% to 12.5%
Vehicles	15.5%

Intangible assets

Software	20.0%
Other intangible assets	20.0%

Gains and losses on disposal of property and equipment and intangible assets are recognised in profit or loss.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5. Property, equipment and intangible assets (continued)

Impairment of non-financial assets

The useful life of the property, equipment and intangible assets is reviewed and adjusted on an annual basis at minimum, if necessary, and it is applied prospectively.

The carrying amounts of the Central Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of other assets is the greater value at comparing its value in use in relation to fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, as if no impairment loss had been recognised.

3.6. Banknotes and coins in circulation

The Central Bank is the only institution in BH authorised for issuing and withdrawing KM banknotes and coins, acting strictly under the currency board rule.

In accordance with the Law on the Central Bank, aggregate amounts of banknotes and coins in circulation is recorded as the Central Bank's financial liability in the statement of financial position. Banknotes and coins in circulation include only KM banknotes and coins outside of Central Bank's vaults.

When banknotes and coins are withdrawn from circulation, they are recognised as a liability as part of banknotes and coins in circulation, until the formal date of withdrawal. Any outstanding amount not withdrawn, after the formal due date, is recognised as income.

3.7. Deposits of depositors

Deposits of depositors include received deposits from banks and deposits from the Government and other public institutions. These deposits are the Central Bank's financial liabilities that are initially recognised at fair value and subsequently measured at amortised cost. Deposits from banks include domestic banks' deposits arising from reserve requirement policy of the Central Bank and other bank deposits. Deposits from the Government and other public institutions represent received deposits from BH institutions and other public BH agencies, and entities' institutions and agencies.

The Central Bank's role as a depository, banker, adviser and fiscal agent are prescribed under the Law on the Central Bank.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8. Provisions

Provisions are recognised when the Central Bank has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are maintained at the level that the Central Bank's Management considers sufficient for absorption of incurred losses. The Management determines the sufficiency of provisions on the basis of insight into specific items, current economic circumstances, risk characteristics of certain transaction categories, as well as other relevant factors.

Provisions are released only for such expenditure in respect of which provisions are recognised at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

3.9. Income and expense recognition

Interest income and expenses

Interest income and expenses are recorded in profit or loss using the effective interest rate method. The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial assets or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instrument, the Central Bank estimates future cash flows considering all contractual terms of the financial instruments, but excluding the expected credit losses. The calculation includes all fees and amounts paid or received between the Central Bank and other party that are an integral part of the effective interest rate, transaction costs, and all other discounts and premiums.

Accrued interest on financial assets with negative interest rates is recognised in profit or loss as the effects of negative interest rates within the interest expense. As at reporting dates, the effects of negative interest rates on financial assets arise from deposits with foreign banks and debt instruments at fair value through other comprehensive income.

Accrued interest on financial liabilities at amortised cost with negative interest rate i.e., remuneration rate is recognised in profit or loss as the effects of negative deposit interest rates on financial liabilities within the interest income. As at reporting dates, the effects of negative interest rates arise from deposits from domestic banks due to the applied required reserve policy of the Central Bank.

Fee and commission income and expenses

Fee and commission income is earned from the services provided by the Central Bank and is recognised in profit or loss when the service is provided. The Central Bank calculates fee and commission income under determined tariffs for its services. Services provided by the Central Bank include services to domestic banks, depositors and other non-banking clients. They arise from payment system transactions, cash processing, conversion transactions and other services.

Fee and commission expense arises from received services related from Central Bank's foreign currency reserves management and is recognised in profit or loss when the service is received.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Income and expense recognition (continued)

Foreign currency transactions and foreign exchange differences

At initial recognition, foreign currency transactions are recorded into KM, by applying to the foreign currency amount the spot exchange rate between the KM and the foreign currency at the date of the transaction.

Monetary items denominated in foreign currencies are translated to KM by applying exchange rate from the Central Bank's exchange rate list at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated by applying the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Foreign exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated at initial recognition during the period or in previous reporting date, are recognised in profit or loss when they arise. Due to the currency board rule, there are no foreign exchange differences from monetary items denominated in EUR currency.

Middle exchange rates of most relevant currencies are provided below:

Middle exchange rate:	31 December 2022	31 December 2021
	KM	KM
EUR	1.95583	1.95583
CHF	1.986219	1.887320
GBP	2.205168	2.330311
USD	1.833705	1.725631
XDR	2.450479	2.420301

Dividend income

Dividend income from equity instruments is recognised in profit or loss when the Central Bank's right to receive dividend is established. Dividend income arises from BIS shares held by the Central Bank (Notes 16 and 28).

Employee benefits

Short-term employee benefits

In accordance with local regulations, on behalf of its employees, the Central Bank pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Central Bank pays those tax and contributions in the favour of the institutions of the Federation of Bosnia and Herzegovina (on federal and cantonal levels), Republic of Srpska and Brčko District.

In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the domestic legislation requirements. These expenses are recognised in profit or loss in the period in which the expense is incurred.

Long-term employee benefits

According to local legal requirements, upon retirement employees of the Central Bank are entitled to receive severance pay, when provided legal conditions are met, such as the age or years of service, which in accordance with the Central Bank's internal Acts is based on six regular monthly salaries paid to the respective employee in the last six months. Such payments are treated as long-term employee benefits. The Central Bank engages the certified actuary for preparing an actuarial calculation using the projected unit credit method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.9. Income and expense recognition (continued)****Costs of production of banknotes and coins**

Costs related to the production and design of banknotes and coins are initially recognised as deferred costs which are part of Central Bank's other assets and are subsequently amortised by their expense recognition through profit or loss over the period of five years.

Taxes

The Central Bank is obliged to pay Value Added Tax for all goods and services purchased. These payables are part of the Central Bank's administrative and other operating expenses. According to the Law on the Central Bank, the Central Bank is excluded from income tax payables.

3.10. Managed funds for and on behalf of third parties

The Central Bank also maintains certain accounts in foreign currencies related to agreements concluded between the governments in BH and its entities and foreign governments and financial organisations, as well as foreign currency accounts of the BH institutions and agencies, and of domestic banks, for which the Central Bank acts as an agent (Note 36).

3.11. Financial arrangements of Bosnia and Herzegovina with the International Monetary Fund

According to the financial arrangements concluded between BH, the Central Bank and the International Monetary Fund ("IMF"), the statement of financial position of the Central Bank includes the following items related to BH's membership with the IMF: Special Drawing Rights with the IMF which are part of foreign currency reserves of the Central Bank and are interest-bearing and the IMF No. 1 account and IMF No. 2 account that are part of Central Bank's financial liabilities. These accounts are also included in currency board compliance (Note 4).

Other assets and liabilities related to the IMF, belonging to or being the responsibility of BH, are recorded in a special Trust Fund within off-balance-sheet records. Central Bank has an obligation to keep proper records arising from transactions between BH and the IMF, but adhering strictly to the Law on the Central Bank and local legislation in BH that regulates foreign borrowing of BH (Note 37).

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12. Significant accounting judgements and estimates

In preparing the Central Bank's financial statements in accordance with IFRSs, the Management applies judgments and make estimates that are evaluated continuously. In evaluation of significant judgments and estimates, the Management considers assumptions based on historical experience and expectations about future that are believed to be reasonable under the circumstances.

Significant judgements and estimates effect the reported amounts of assets and liabilities, as well as disclosure of the amounts of contingent assets and liabilities as at reporting date, and the corresponding amounts of revenues and expenses for the reporting period. Actual amounts could differ from these estimates. Changes in Central Bank's accounting policies are applied retrospectively when applicable in accordance with IFRSs. Changes in accounting estimates are recognised in the period in which the estimate is changed if the change affects only that period or in the period of change and future periods if the change affects both current and future periods. No changes have been made in applied accounting policies and accounting estimates in these financial statements.

These financial statements have been prepared based upon conditions existing at 31 December 2022. Future conditions may be different from those that resulted in the financial information disclosed in these financial statements. The Management continuously monitors the increased factors of uncertainty, including Russian-Ukrainian war, global inflation and the risk of another recession in the euro area, which may significantly influence the financial performances of the Central Bank in the future period.

Key assumptions and estimates relating to material statement of financial position items are presented below:

Business model

Note 3.1.1.: Determination of the business model within the financial assets are held and assessment of contractual terms of financial assets regarding the "Solely payment of principal and interest" requirement. These assessments determine the classification of financial assets.

Impairment of financial assets

The Central Bank calculates the expected credit losses for certain classes of financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income. Note 6.1. describes assumptions made in the determination of the inputs into the expected credit loss measurement model, including the forward-looking view information that were used in the reporting periods.

Fair value of assets and liabilities

The Central Bank's business policy is to disclose fair value information on those financial assets and financial liabilities for which public market information is readily available or such value may be calculated by applying some alternative valuation techniques, and whose fair value is materially different from their recorded amounts. According to the Central Bank's management, amounts presented in the financial statements reflect the most reliable and useful estimate of fair value for financial reporting purposes, in accordance with IFRSs. For more information about fair value measurement of financial assets and financial liabilities see Note 5.

Depreciation and amortisation charge and rates applied

The calculation of depreciation and amortisation, as well as depreciation and amortisation rates are based on the assessed economic useful life of property, equipment and intangible assets. Once a year, the Central Bank assesses economic useful life based on current assumptions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13. Circumstances for performing the Central Bank's operations in 2022

The circumstances for conducting the Central Bank's operations have generated significant changes in the amounts and the structure of the financial position and the financial performance of the Central Bank as at reporting date regarding the financial information disclosed in the financial statements for 2021, making their comparability significantly limited.

In accordance with the Law on the Central Bank, foreign currency reserves are invested in the financial markets of euro area countries that are primarily influenced by the monetary policy of the European Central Bank ("ECB"). During 2022 there have been abrupt changes in the financial markets conditions of the euro area countries i.e., transition from a multiyear zone of negative interest rates and yields to the zone of positive interest rates and yields.

The ECB raised key interest rates on several occasions with the aim of normalizing monetary policy as a response to concerns about rising inflation, i.e., high energy and food prices caused by the Russian - Ukrainian war. The ECB's key interest rates were increased in the total amount of 250 basis points by the end of 2022, namely by 50 basis points in July, by 75 basis points in September and in November, and 50 basis points in December. Abrupt and significant increases of the ECB's key interest rates have consequently led to the interest rate increases on the Central Bank's foreign currency reserve funds that can be held with the euro area foreign banks, as well as significant and accelerating increases in market yields, but with simultaneously sharp falls of the euro area securities market prices in which the Central Bank can invest and which the Central Bank holds in its portfolio.

Consequently, the value of the Central Bank's official foreign currency reserves has been significantly changed as a result of significant market fluctuations in debt instruments classified at fair value through other comprehensive income. Declines in the fair value of debt instruments due to the sharp rise of market yields were absorbed by the sufficient level of net foreign assets value. The above mentioned circumstance on the financial markets was reflected in the temporary decline of net foreign assets value i.e., the Central Bank's equity as at the reporting date.

During 2022, the Central Bank has initiated certain changes regarding the foreign currency reserves investment policy aimed at adapting to new circumstances within its legally permitted framework. All activities of the Central Bank were managed taking into consideration that the financial instruments of the Central Bank are the instruments for currency board protection which are not held for the profit maximisation purposes, but to protect the coverage of monetary liabilities with net foreign currency reserves, strictly adhering the requirements of security, liquidity and only then return on investments.

During 2022, a significant restructuring of foreign currency reserves was carried out aimed at adjusting the investments of foreign exchange reserves to abrupt changes and to the transition to the zone of positive interest rates and yields, as follows:

- The modified duration of debt instruments at fair value through other comprehensive income was significantly shortened to reduce the interest rate risk exposure. Certain part of the Central Bank's debt instruments with significant fluctuations in the fair value was released through sales and thereby net loss was realised in the amount of KM 63,470 thousand.
- The Central Bank took advantage of the favourable financial market conditions and sold a total of 48,000 ounces of monetary gold measured at fair value. The sale of monetary gold generated a realised gain in the amount of KM 60,014 thousand.
- Cash inflows from performed sales as well as from maturities of debt instruments and sales of monetary gold were significantly reinvested in deposits with foreign banks with the aim of adjusting to conditions on the euro area financial markets. This led to an increase of foreign currency reserve funds invested in deposits with foreign banks. Accordingly, the conditions have been created for the fastest possible inclusion of the interest rates increase to the interest income of the Central Bank. As at 31 December 2022, all deposits with foreign banks are invested at positive interest rates.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13. Circumstances for performing the Central Bank's operations in 2022 (continued)

- During the reporting period, the Central Bank has invested part of the foreign currency reserves in a portfolio of debt instruments classified at amortised cost.

Under conditions of an unstable investment environment, all activities undertaken regarding the investment of foreign currency reserves were carried out with the aim of stabilizing the value of foreign currency reserves in order to create the conditions for strengthening foreign exchange reserves by positive returns on investments and to reduce volatility as soon as possible.

For more information see notes:

Note	Title
4	Currency board arrangement
6	Financial risk management
8	Deposits with foreign banks
10	Debt instruments at fair value through other comprehensive income
11	Monetary gold
12	Debt instruments at amortised cost
22	Net interest income
24	Net realised (losses) / gains from sale of debt instruments at fair value through other comprehensive income
25	Net realised gains from sale of monetary gold
33	Equity

During 2022, the components of the Central Bank's monetary liabilities have been changing with a non-cyclical intensity, leading to volatile financial implications on the carrying amounts of the components of monetary liabilities i.e., its structure.

In the first part of 2022, domestic banks have been intensively withdrawing KM in cash as well as EUR banknotes from the Central Bank vaults, caused by introducing sanctions by the European Union and the USA to Russian-owned banks, affecting two commercial banks in BH. Sudden and intensive withdrawal of KM in cash and EUR banknotes has been successfully carried out through CBBH vaults, resulting in the stopping of abruptly withdrawal of KM cash. The Central Bank has had a sufficient amount of KM in cash in its vaults at any time, ensuring that the supply of domestic banks with the required amount of KM banknotes and coins was never questioned. Also, the Central Bank has undertaken all necessary activities in a timely manner for the smooth supply of domestic banks with EUR banknotes. The guaranteed convertibility of KM was not compromised at any time, and all legal obligations of the Central Bank regarding this matter were carried out without interruptions.

All domestic banks have properly fulfilled the required reserve in accordance with the legal regulations of the Central Bank. Observing by each decade during 2022, the amounts exceeding the required reserve of domestic banks were continuously higher than the amount of the average required reserves themselves at the overall system level.

During 2022, the Central Bank has continued to review the implementation of the previously introduced measures regarding required reserve policy framework innovation, being the only monetary policy instrument available in accordance with the legal framework. During 2022, the Central Bank decreased remuneration rate on the deposited funds of domestic banks, with the aim of mitigating the impact of the growth of the ECB's key interest rates, especially the ECB deposit facility rate, on the operations of banks in BH and the currency board stability.

The Central Bank has been executing continuously and without interruption its functions of the banker, the depository and the fiscal agent towards the depositors. The Central Bank's depositors were keeping funds in their accounts for most of the year. During 2022, Federation BH withdrew the rest amount of the transferred funds based on SDR allocation from the IMF from previous year. At the end of 2022, MFT BH, one of the most important depositors of the Central Bank, transferred part of its budgetary funds to off-balance foreign currency accounts managed by the Central Bank on its behalf.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.13. Circumstances for performing the Central Bank's operations in 2022 (continued)**

For more information see Notes:

Note	Title
4	Currency board arrangement
17	Banknotes and coins in circulation
18	Deposits from banks
19	Deposit from the Government and other public institutions
22	Net interest income
36	Off-balance sheet deposits

The operating expenses of the Central Bank are in approximately same amounts in the current and comparative reporting periods, even though the circumstances for performing the administrative operations have been significantly changed in the direction of increased inflationary pressures during 2022.

For more information see Notes:

Note	Title
29	Personnel expenses
30	Administrative and other operating expenses

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

3. CURRENCY BOARD ARRANGEMENT

The currency board is an arrangement with a fixed foreign currency exchange rate which is tied to a stable foreign currency, so-called reserve currency, where the total amount of domestic currency can be freely converted to reserve currency at any time. Every issued KM has full coverage in foreign currency to which it is tied at the fixed EUR foreign currency exchange rate. The Law on the Central Bank defines the rule “currency board” for issuing KM, according to which the Central Bank is obliged to ensure that total amount of its monetary liabilities never exceed the equivalent amount (expressed in KM) of its foreign currency reserves.

Details of compliance with that rule are as follows:

In thousands of KM	31 December 2022	31 December 2021
Official foreign currency reserves		
Cash in foreign currencies	572,020	469,585
Deposits with foreign banks	8,273,200	3,945,097
Special Drawing Rights with the IMF	149	1,881
Debt instruments	7,060,451	11,629,592
Monetary gold	160,040	301,987
TOTAL	16,065,860	16,348,142
Liabilities to non-residents	2,583	2,331
Net foreign currency reserves (Official foreign currency reserves less liabilities to non-residents)	16,063,277	16,345,811
Monetary liabilities		
Banknotes and coins in circulation	7,436,097	6,923,818
Deposits from banks	7,217,387	7,219,617
Deposits from the Government and other public institutions	958,245	1,429,596
TOTAL	15,611,729	15,573,031
NET FOREIGN ASSETS (Net foreign currency reserves less monetary liabilities)	451,548	772,780

Disclosed amounts of all components of the currency board represent their carrying amounts as at reporting dates.

Net foreign assets are the Central Bank’s main financial indicator of achieving and maintaining the stability of domestic currency in BH and its main financial performance measure. It represents the part of official foreign currency reserves which can be used only for purposes and needs determined by the Law on the Central Bank.

Net foreign assets are the amounts that guarantee the stability of domestic currency, respectively monetary stability and absorb potential financial risks arising from official currency reserves management. As at 31 December 2022, the financial balance of net foreign assets amounts to KM 451,548 thousand and the stability of domestic currency is completely provided (31 December 2021: KM 772,780 thousand).

During 2022, fluctuations in market prices of debt instruments at fair value through other comprehensive income and monetary gold dominantly affected changes of the amount of net foreign assets due to the mandatory subsequent measurement of these foreign currency reserve components at their fair value. The abrupt falls of the securities market prices in the euro area financial markets led to decrease of net foreign assets as at reporting dates.

4. CURRENCY BOARD ARRANGEMENT (CONTINUED)

More information on these changes is disclosed in Notes 10 and 11. More information on financial risks to which the Central Bank has been exposed in foreign currency reserves management is disclosed in Note 6.

As at reporting dates, the Central Bank's adequate capitalisation level has ensured implementation of its functions prescribed by the Law on Central Bank. For more information see Note 33.

5. CLASSIFICATION AND FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Central Bank considers the characteristics of the asset or liability which market participants would consider when pricing the asset or liability at the measurement date.

The estimated fair values of the Central Bank's financial assets and financial liabilities have been determined using available market information, where it exists, and appropriate valuation methodologies.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Central Bank can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

5. CLASSIFICATION AND FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

5.1. Financial assets measured at fair value

The following table analyses financial assets measured at fair value at each reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts are based on the values recognised in the statement of financial position.

In thousands of KM

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
<i>Financial assets measured at fair value through other comprehensive income</i>				
Debt instruments	5,887,589	-	-	5,887,589
Monetary gold	160,040	-	-	160,040
TOTAL	6,047,629	-	-	6,047,629

In thousands of KM

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
<i>Financial assets measured at fair value through other comprehensive income</i>				
Debt instruments	11,629,592	-	-	11,629,592
Monetary gold	301,987	-	-	301,987
TOTAL	11,931,579	-	-	11,931,579

Financial assets are measured at fair value in statement of financial position using the last quoted bid prices in an active market, taken from official services, which correspond to Level 1 hierarchy as at reporting dates. Market prices from the official service Bloomberg are used for fair value measurement of debt instruments. Market prices from the official service Reuters are used for fair value measurement of monetary gold.

5. CLASSIFICATION AND FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**5.2. Financial assets and financial liabilities not measured at fair value**

In thousands of KM

	31 December 2022	
	Carrying amount	Fair value
Financial assets		
<i>Financial assets measured at amortised cost:</i>		
Cash in foreign currencies	572,020	572,020
Deposits with foreign banks	8,273,200	8,273,200
Special Drawing Rights with the IMF	149	149
Debt instruments at amortised cost	1,172,862	1,018,598
Other financial assets	4,282	4,282
	10,022,513	9,868,249
<i>Financial assets measured at fair value through other comprehensive income - cost choice:</i>		
Other investments	27,813	27,813
	27,813	27,813
Total	10,050,326	9,896,062
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Banknotes and coins in circulation	7,436,097	7,436,097
Deposits from banks	7,217,387	7,217,387
Deposits from the Government and other public institutions	958,245	958,245
Other financial liabilities	4,023	4,023
Total	15,615,752	15,615,752

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

5. CLASSIFICATION AND FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

5.2. Financial assets and financial liabilities not measured at fair value (continued)

In thousands of KM

	Carrying amount	31 December 2021 Fair value
Financial assets		
<i>Financial assets measured at amortised cost:</i>		
Cash in foreign currencies	469,585	469,585
Deposits with foreign banks	3,945,097	3,945,097
Special Drawing Rights with the IMF	1,881	1,881
Other financial assets	3,349	3,349
	<u>4,419,912</u>	<u>4,419,912</u>
<i>Financial assets at measured at fair value through other comprehensive income - cost choice:</i>		
Other investments	27,813	27,813
	<u>27,813</u>	<u>27,813</u>
Total	<u>4,447,725</u>	<u>4,447,725</u>
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Banknotes and coins in circulation	6,923,818	6,923,818
Deposits from banks	7,219,617	7,219,617
Deposits from the Government and other public institutions	1,429,596	1,429,596
Other financial liabilities	8,023	8,023
Total	<u>15,581,054</u>	<u>15,581,054</u>

For financial assets and financial liabilities not measured at fair value, fair value of these components is considered for the purpose of disclosing information on their estimated fair value. The Management considers that carrying amounts of financial assets at amortised cost, other investments and financial liabilities at amortised cost, except for debt instruments at amortised cost, represent reasonable estimation of their fair value as at reporting dates. The above mentioned estimate is made considering the specific position of the Central Bank as the supreme monetary authority operating under currency board arrangement, as well as dominant short-term nature of these components. For more information see Notes 6.3. and 8.

As at reporting dates, financial assets and financial liabilities not measured at fair value are included in Level 2 of fair value measurement, except for debt instruments at amortised cost which are included in Level 1 because their fair value is determined with the same measurement technique used for debt instruments measured at fair value through other comprehensive income.

6. FINANCIAL RISK MANAGEMENT

Financial assets which represent the Central Bank's exposure to financial risks (credit risk, market risks and liquidity risk) are:

- Cash in foreign currencies,
- Deposits with foreign banks (central banks, commercial banks and BIS),
- Special Drawing Rights with the IMF,
- Debt instruments at fair value through other comprehensive income,
- Monetary gold,
- Debt instruments at amortised cost,
- Other financial assets (domestic banks' receivables, employees' loans and other receivables) and
- Other investments.

Interest rates and market yields on the government bonds of the euro area countries have been increased in 2022 comparing to their values in previous years. The ECB contributed the most to this by raising key interest rates in the euro area, which began in the second half of the year. The ECB deposit facility rate, which was set to (0.50%) during the 2021 and first half of 2022, has been increased on four occasions in second half of 2022, as follows: at the end of July (to 0.00%), at early September (to 0.75%), at early November (to 1.50%) and finally, at late December 2022 (to 2.00%). The above mentioned interest rate increasing contributed to the increase of interest rates and market yields of Eurobonds in 2022.

A strong increase in market yields has decreased the fair value of debt instruments in the Central Bank's portfolio, which is a challenge for the stability of currency board arrangement. In order to preserve the stability of the currency board, the Central Bank significantly shortened the modified duration of the portfolio of debt instruments and exposure to interest rate risk. Certain adjustments have been made to the credit risk limitations and foreign currency reserves have been restructured by increasing the share of deposits with foreign banks and reducing the share of debt instruments in the portfolio. Consequently, there was a certain increase in the expected credit losses due to the increase in credit risk.

6.1. Credit risk

Credit risk is the risk of default on the contractual obligations of other counterparty or the issuer of fixed income debt securities, where the counterparty is an entity in which, in accordance with the Central Bank's regulations, foreign currency reserves are held or invested. The management of this risk is performed through:

- limiting the scope of financial instruments,
- limiting counterparties and issuers to those with acceptable composite credit rating,
- defining concentration limits for investments with an individual counterparty,
- limiting the maximum amount to be invested into individual types of financial instruments,
- limiting the size of the issue of individual securities and
- limiting maturities.

For the funds recorded in off-balance sheet records, the Central Bank is not exposed to credit risk, as all the risk, which may result from the investments of these funds, is to be borne contractually by the owners of these funds (see Notes 36 and 37).

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

Expected credit loss measurement

Financial assets for which the Central Bank calculates the expected credit losses includes:

- Deposits with foreign banks,
- Special Drawing Rights with IMF,
- Debt instruments at fair value through other comprehensive income,
- Debt instruments at amortised cost and
- Other financial assets (domestic banks' receivables, employees' loans and other receivables).

The basic criteria for defining the limit of exposure to credit risk is the composite credit rating. Composite credit rating is the average of current ratings assigned to a certain entity by at least two out of three credit rating agencies (Standard and Poor's, Fitch ratings or Moody's).

Financial assets which have the composite credit rating AA minus (AA-) or higher, the Central Bank treats as low credit risk exposure.

Financial assets which have the composite credit rating from BBB minus (BBB-) to A plus (A+), the Central Bank treats as medium credit risk exposure.

Financial assets which have the composite credit rating below BBB minus (BBB-), the Central Bank treats as high credit risk exposure.

In the absence of credit rating, the Central Bank estimates the borrower's capacity to properly repay his contractual cash obligations.

Model for impairment of financial assets defines three stages based on the credit risk level at initial recognition and changes in the credit risk level after initial recognition as summarized below:

1. Stage 1 of exposure distribution – Financial assets which are treated as the low or medium credit risk exposure are allocated to Stage 1 at initial recognition. In accordance with internal Central Bank's regulations, investments of foreign currency reserves are not allowed to the high credit risk exposure. Each investment of foreign currency reserves at initial recognition is allocated to Stage 1 of exposure distribution.
2. Stage 2 of exposure distribution – If a significant increase in credit risk since initial recognition is identified, financial assets which were allocated to Stage 1 will be transferred to Stage 2.
3. Stage 3 of exposure distribution – The criteria for movement into Stage 3 is assigning the default status to financial assets.

The calculation of expected credit losses is measured on a 12-month basis or a lifetime basis, depending on financial asset's composite credit rating level, if the significant increase in credit risk has occurred from the moment of financial assets' initial recognition and depending on if the financial asset is credit-impaired.

For financial assets allocated in Stage 1, the expected credit losses are measured on a 12-month basis, while for financial assets allocated in Stage 2 or Stage 3 the expected credit losses are measured on a lifetime basis.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

Significant increase in credit risk

Significant increase in credit risk, as criteria for transfer of exposure into Stage 2, represents:

- The decrease in composite credit rating for more than two notches in relation to initial recognition date, excluding the financial assets which even after the decrease in composite credit rating is treated as the low credit risk exposure at reporting date or
- The decrease in composite credit rating of financial assets below investment level of composite credit rating, i.e., below the BBB minus (BBB-) rating.

Financial assets cannot be allocated from Stage 1 to Stage 2 if the Central Bank considers that the debtor, which does not have credit rating assigned, has high capacity to settle all matured contractual obligations. Financial assets cannot be allocated to Stage 2 if, even after the decrease in the level of composite credit rating, the financial assets have rating AA minus (AA-) or higher, considering that it is treated as low credit risk exposure.

If financial instrument is consisted of multiple tranches that were initially recognised in different periods, and which in different periods had different composite credit ratings, by using the conservative approach, the Central Bank will take as relevant the calculated increase in credit risk from the highest notch.

If the change in credit risk rating occurred due to the change in certain credit rating agency methodology and the significant increase in credit risk did not occur related to initially estimated risks, the exposures will not be classified into Stage 2.

The Central Bank, based on its analysis, can determine the allocation of every individual financial asset into Stage 2 or Stage 3. If the causes that led to the transfer of financial asset in Stage 2 have been removed, the exposure can be reverted to Stage 1, but at least 90 days after removal of the cause.

In addition to the criteria mentioned above, stage classification can be performed based on assumption that the significant increase in credit risk has occurred if the payment is delayed for 30 days or more, where the financial assets will be classified to Stage 2 (underperforming) if the payment is delayed for 30 to 89 days. Financial assets will be classified to the Stage 3 (nonperforming) if payment is delayed for 90 days or more.

Definition of default

Default criteria are objective evidences of impairment, especially:

- Significant financial difficulties of securities' issuers,
- Breach of contractual obligations in terms of delinquency on principal and interest,
- Any restructuring or modification of the existing terms of servicing obligations arising from financial instrument debt for reasons related to financial difficulties of the issuer,
- Probability of bankruptcy and/or liquidation or other form of financial reorganization and/or
- Disappearance of an active trading market.

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

Expected credit loss calculation

Expected credit losses are calculated as the product of three variables: The Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), defined as follows:

- **Probability of Default (PD)** is an estimate of the probability that another counterparty will not be able to meet its debt obligations. In the reporting periods, the same PD calculation method was used, in accordance with the Central Bank's methodology for expected credit losses calculation which was introduced on 1 January 2019. For the impairment calculation, in accordance with best practices in other central banks in region and European Union, which are obliged to comply with IFRS, the Central Bank, as a parameter of the probability of default, uses the estimates based on data from transition matrices which are published by credit rating agencies and expert judgement in the form of fixed percentages of probability of default. For probability of default calculation, the estimates are based on transition matrices for corporations on a global level which contain data on one-year transition average rate of long-term credit rating level in status "D" i.e., default or status "SD", i.e., selective default. Based on data mentioned above, the probability of default estimates is calculated for exposures to foreign commercial banks and foreign countries, respectively foreign central banks and governments, for which it is possible to calculate composite credit rating. For probability of default estimates of exposures to foreign countries, respectively foreign central banks and governments, the first non-zero data on one-year transition rate of sovereign ratings is taken into consideration in status "D" i.e., default or status "SD" i.e., selective default from transition matrices for sovereign rating. For exposures for which the composite credit rating cannot be calculated, expert judgements in terms of fixed percentages are used, respectively the simplified approach in accordance with the current situation analysis and former experience.
- **Loss Given Default (LGD)** is an estimate of the percentage of exposure to the issuer/entity which cannot be collected if a default event occurs. For loss given default, the Central Bank uses constant value of one-year LGD, 45 per cent (45%), in accordance with the article 161. of the Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 (Capital Requirements Regulations i.e., CRR).
- **Exposure at Default (EAD)** represents the carrying amount of the financial assets, i.e., the carrying amount at the initial recognition date/at the reporting date.

For impairment, the Central Bank uses individual and collective approach.

Considering the portfolio structure and classification, the Central Bank will consider every exposure for which the objective impairment is determined, respectively the default is determined, as individually significant exposure and will apply the individual estimation approach. For an individual approach to impairment assessment, three different scenarios are used. It is not necessary to determine each possible scenario for the expected credit losses measurement, but it needs to be taken into the consideration the risk or likelihood of a credit loss occurring in a way that reflects the probability of a credit loss and the probability that there will be no credit loss, even when the probability of credit loss is very low.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)**6.1. Credit risk (continued)**

Impairment amount for exposures that are subject of the individual evaluation approach is calculated as a difference between the financial asset carrying amount and probability weighted present value of the estimated cash flows, discounted with the effective interest rate, where the expected credit losses are discounted at the reporting date, not at the date of expected default or any other date.

For the purpose of determining a significant increase in credit risk and the recognition of expected credit losses on a collective basis, financial instruments may be grouped on the basis of common credit risk characteristics to facilitate the timely analysis of significant increase in credit risk determination.

Impairment calculation on a collective basis for financial instruments allocated in Stage 1 is carried out on a 12-month basis, while for exposures allocated in Stage 2, the lifetime credit loss is calculated.

Forward-looking information incorporation

The purpose of the impairment is to recognise expected credit losses on a lifetime basis for financial assets that had a significant increase in credit risk compared to initially estimated risks, whether the estimation is on individual or collective basis, considering all reasonable and substantiated information including those related to the future.

In accordance with the above, incorporation of forward-looking information in expected credit losses calculation is done by adjusting the probability of default.

Given that the Central Bank in its portfolio has financial instruments of issuers that are different by structure as well as by geographical distribution, in relation to incorporating forward looking information in expected credit losses calculation, the Central Bank relies on predicting changes in credit ratings for individual financial instruments, respectively issuers.

Predictions of credit rating movement directions on calculated probability of default of three biggest credit rating agencies: positive, stable or negative outlook, is incorporated in probability of default by the principle of equal probabilities.

6.1.1. Credit risk exposure

The following table shows the reconciliation from the opening to the closing balance for the impairment as well as the provisions for expected credit losses for financial assets at the reporting dates:

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.1. Credit risk exposure (continued)

In thousands of KM

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1. Deposits with foreign banks								
As at 1 January	913	-	-	913	807	-	-	807
Increases in expected credit losses	10,427	-	-	10,427	4,734	-	-	4,734
Releases of expected credit losses	(335)	-	-	(335)	(179)	-	-	(179)
Releases due to derecognition of term deposits	(9,155)	-	-	(9,155)	(4,449)	-	-	(4,449)
As at 31 December	1,850	-	-	1,850	913	-	-	913
2. Special Drawing Rights with the IMF								
As at 1 January	-	-	-	-	-	-	-	-
Increases in expected credit losses	-	-	-	-	-	-	-	-
Releases of expected credit losses	-	-	-	-	-	-	-	-
As at 31 December	-	-	-	-	-	-	-	-
3. Debt instruments at fair value through other comprehensive income								
As at 1 January	1,786	-	-	1,786	1,598	-	-	1,598
Increases in expected credit losses	686	-	-	686	1,130	-	-	1,130
Releases of expected credit losses	(121)	-	-	(121)	(150)	-	-	(150)
Releases due to debt instruments matured	(804)	-	-	(804)	(650)	-	-	(650)
<i>Net (release) / increase during the year</i>	<i>(239)</i>	<i>-</i>	<i>-</i>	<i>(239)</i>	<i>330</i>	<i>-</i>	<i>-</i>	<i>330</i>
Releases due to debt instruments sold	(637)	-	-	(637)	(142)	-	-	(142)
As at 31 December	910	-	-	910	1,786	-	-	1,786

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.1. Credit risk exposure (continued)

In thousands of KM

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
4. Debt instruments at amortised cost								
As at 1 January	-	-	-	-	-	-	-	-
Increases in expected credit losses	234	-	-	234	-	-	-	-
Releases of expected credit losses	(9)	-	-	(9)	-	-	-	-
As at 31 December	225	-	-	225	-	-	-	-
5. Other financial assets								
As at 1 January	6	-	602	608	5	-	613	618
Increases in expected credit losses	9	-	-	9	8	-	2	10
Releases of expected credit losses	(9)	-	(1)	(10)	(7)	-	(13)	(20)
As at 31 December	6	-	601	607	6	-	602	608
Total opening balance at 1 January	2,705	-	602	3,307	2,410	-	613	3,023
Net increase / (release) in expected credit losses	286	-	(1)	285	295	-	(11)	284
Total closing balance at 31 December	2,991	-	601	3,592	2,705	-	602	3,307

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.2. Credit risk concentration

a) Maximum exposure to credit risk - financial instruments subject to impairment

The following table shows the maximum exposure to credit risk for the Central Bank's financial assets, analysed by the classes of financial instruments for which the expected credit losses are calculated and recognised:

In thousands of KM Classes of financial instruments	31 December 2022			31 December 2021		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Cash in foreign currencies						
Gross carrying amount	572,020	-	-	469,585	-	-
Impairment	-	-	-	-	-	-
Carrying amount	572,020	-	-	469,585	-	469,585
Deposits with foreign banks						
Gross carrying amount	8,275,050	-	-	3,946,010	-	-
Impairment	(1,850)	-	-	(913)	-	-
Carrying amount	8,273,200	-	-	3,945,097	-	3,945,097
Special Drawing Rights with the IMF						
Gross carrying amount	149	-	-	1,881	-	-
Impairment	-	-	-	-	-	-
Carrying amount	149	-	-	1,881	-	1,881
Debt instruments at fair value through other comprehensive income						
Gross carrying amount	5,887,589	-	-	11,629,592	-	-
Provisions for expected credit losses (recognised in other comprehensive income)	910	-	-	1,786	-	-
Gross carrying amount	5,887,589	-	-	11,629,592	-	11,629,592

In thousands of KM	31 December 2022			31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Classes of financial instruments								
Debt instruments at amortised cost								
Gross carrying amount	1,173,087	-	-	1,173,087	-	-	-	-
Impairment	(225)	-	-	(225)	-	-	-	-
Carrying amount	1,172,862	-	-	1,172,862	-	-	-	-
Other financial assets								
Gross carrying amount	4,288	-	601	4,889	3,355	-	602	3,957
Impairment	(6)	-	(601)	(607)	(6)	-	(602)	(608)
Carrying amount	4,282	-	-	4,282	3,349	-	-	3,349

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.2. Credit risk concentration (continued)

b) Maximum exposure to credit risk - financial assets not subject to impairment

In thousands of KM	31 December 2022	31 December 2021
Carrying amounts		
Monetary gold	160,040	301,987
Other investments	27,813	27,813
TOTAL	187,853	329,800

The Central Bank does not hold any collateral or other credit enhancements for the credit risk coverage. As at 31 December 2022 the Central Bank does not have any assets that are past due and does have impaired assets in the amount of KM 601 thousand (31 December 2021: The Central Bank did not have any assets that are past due and had impaired assets in the amount of KM 602 thousand).

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.2. Credit risk concentration (continued)

Concentration per credit rating

The tables below present an analysis of the Central Bank's concentration per composite credit rating to the counterparty for its financial assets as at reporting dates:

In thousands of KM										31 December 2022	
Credit rating	Cash in foreign currencies	Deposits with foreign banks	Special Drawing Rights with the IMF	Debt instruments at fair value through other comprehensive income		Monetary gold	Debt instruments at amortised cost	Other financial assets	Other investments	Total	
AAA	-	3,562,708	-	2,142,560	-	-	141,023	-	-	5,846,291	
AA+	-	-	-	693,016	-	-	282,171	-	-	975,187	
AA	-	450,701	-	1,244,391	-	-	219,864	-	-	1,914,956	
AA-	-	-	-	524,373	-	-	145,540	-	-	669,913	
A+	-	1,678,882	-	-	-	-	-	-	-	1,678,882	
A	-	2,575,495	-	-	-	-	41,776	-	-	2,617,271	
A-	-	3,481	-	795,710	-	-	190,370	-	-	989,561	
II ¹	-	3,783	149	-	160,040	-	-	-	27,813	191,785	
BBB+	-	-	-	-	-	-	-	-	-	-	
BBB	-	-	-	487,539	-	-	152,343	-	-	639,882	
BBB-	-	-	-	-	-	-	-	-	-	-	
Unrated	572,020	-	-	-	-	-	-	4,889	-	576,909	
Total	572,020	8,275,050	149	5,887,589	160,040	1,173,087	1,173,087	4,889	27,813	16,100,637	
Impairment	-	(1,850)	-	-	-	-	(225)	(607)	-	(2,682)	
TOTAL	572,020	8,273,200	149	5,887,589²	160,040	1,172,862	1,172,862	4,282	27,813	16,097,955	

¹ International institutions

² Provisions for expected credit losses do not reduce the gross carrying amount of debt instruments at fair value through other comprehensive income

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.2. Credit risk concentration (continued)

In thousands of KM

						31 December 2021		
Credit rating	Cash in foreign currencies	Deposits with foreign banks	Special Drawing Rights with the IMF	Debt instruments at fair value through other comprehensive income	Monetary gold	Other financial assets	Other investments	Total
AAA	-	1,622,277	-	2,523,051	-	-	-	4,145,328
AA+	-	-	-	1,349,129	-	-	-	1,349,129
AA	-	78,200	-	3,986,839	-	-	-	4,065,039
AA-	-	-	-	1,672,536	-	-	-	1,672,536
A+	-	488,958	-	-	-	-	-	488,958
A	-	1,653,649	-	-	-	-	-	1,653,649
A-	-	102,166	-	1,428,865	-	-	-	1,531,031
II ³	-	760	1,881	-	301,987	-	27,813	332,441
BBB+	-	-	-	-	-	-	-	-
BBB	-	-	-	669,172	-	-	-	669,172
BBB-	-	-	-	-	-	-	-	-
Unrated	469,585	-	-	-	-	3,957	-	473,542
Total	469,585	3,946,010	1,881	11,629,592	301,987	3,957	27,813	16,380,825
Impairment	-	(913)	-	-	-	(608)	-	(1,521)
TOTAL	469,585	3,945,097	1,881	11,629,592⁴	301,987	3,349	27,813	16,379,304

³ International institutions

⁴ Provisions for expected credit losses do not reduce the gross carrying amount of debt instruments at fair value through other comprehensive income

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.2. Credit risk concentration (continued)

Geographical concentration of risks of financial assets with credit risk exposure

The following tables provide the information on the Central Bank's main credit risk exposure at their gross carrying amounts, categorized by geographical region as at reporting dates. For the purposes of this disclosure, the Central Bank has allocated exposures to regions based on the country of domicile of its counterparties:

31 December 2022

In thousands of KM	EU countries	Non-EU member countries	Bosnia and Herzegovina	Total
Cash in foreign currencies	-	-	572,020	572,020
Deposits with foreign banks	5,510,640	2,764,410	-	8,275,050
Special Drawing Rights with the IMF	-	149	-	149
Debt instruments at fair value through other comprehensive income	5,887,589	-	-	5,887,589
Monetary gold	-	160,040	-	160,040
Debt instruments at amortised cost	1,173,087	-	-	1,173,087
Other financial assets	-	-	4,889	4,889
Other investments	10	27,803	-	27,813
Total	12,571,326	2,952,402	576,909	16,100,637
			Impairment	(2,682)
			TOTAL	16,097,955

31 December 2021

In thousands of KM	EU countries	Non-EU member countries	Bosnia and Herzegovina	Total
Cash in foreign currencies	-	-	469,585	469,585
Deposits with foreign banks	3,058,334	887,676	-	3,946,010
Special Drawing Rights with the IMF	-	1,881	-	1,881
Debt instruments at fair value through other comprehensive income	11,629,592	-	-	11,629,592
Monetary gold	-	301,987	-	301,987
Other financial assets	-	-	3,957	3,957
Other investments	10	27,803	-	27,813
Total	14,687,936	1,219,347	473,542	16,380,825
			Impairment	(1,521)
			TOTAL	16,379,304

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2. Market risk

Market risk is the risk of market value changes in the financial assets and instruments due to the changes in the financial market conditions. The market risks that the Central Bank faces in its operations are: foreign exchange risk, interest rate risk and gold price risk. The objective of market risk management is to manage and control market risk exposures with acceptable parameters, while optimising the return.

For the purpose of quantifying the market risk effects on the foreign currency reserves value, the Central Bank applies the Value at Risk (VaR) concept. VaR represents a statistical measure which shows the maximum loss that can occur in foreign currency reserves portfolio due to the changes in the financial instruments prices and the foreign exchange rates, given a certain level of confidence and a particular time horizon. VaR value for market risk is calculated by analytical (parametric) method, based on the mean value of gain/loss or yield rate of observed portfolio and standard deviation of observed data. The Central Bank, when calculating VaR, applies a level of confidence of 99% for a 10-day horizon.

For calculating VaR value of foreign currency reserves portfolio of the Central Bank, all positions which are exposed to market risks, i.e., foreign exchange risk, interest rate risk and price risk, in foreign currency reserves portfolio are considered. As at 31 December 2022, the exposure of the Central Bank's foreign currency reserves (Value at Risk at a level of confidence of 99% for a 10-day horizon), including fluctuations of the prices of financial instruments and foreign exchange rates against the KM, equals to KM 44,976 thousand (2021: KM 65,070 thousand), or 0.28% of the total financial assets (2021: 0.40% of the total financial assets).

VaR values as at reporting dates are calculated as the sum of componential VaR values:

- for deposits with foreign banks (currency VaR due to changes in foreign exchange rates),
- for debt instruments at fair value through other comprehensive income (interest rate VaR due to changes in market yields, i.e., changes in market prices of debt instruments) and
- for monetary gold (VaR due to changes in EUR price of monetary gold).

In thousands of KM	31 December 2022	31 December 2021
Interest rate risk	37,044	51,622
Risk of change in EUR price of monetary gold	7,873	13,138
Foreign exchange risk	59	310
Total VaR	44,976	65,070

6.2.1. Foreign exchange risk

Foreign exchange risk is the risk of changes in foreign exchange assets and liabilities due to the changes in foreign exchange rates. The Central Bank is exposed to foreign exchange risk through transactions in foreign currencies. Foreign exchange risk is primarily managed through reconciling currency structure of assets and liabilities of the Central Bank, as well as through setting the quantitative limits for exposure to foreign exchange risk.

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2. Market risk (continued)

6.2.1. Foreign exchange risk (continued)

The control and management of foreign exchange risk is based on the strict adherence to the provisions of the Law on the Central Bank and the Central Bank's internal regulations.

The largest part of official foreign currency reserves is held in EUR, and the maximum amount that can be held in convertible currencies other than EUR, must not exceed the equivalent of 50% of the total amount of unimpaired equity and reserves of the Central Bank.

The Central Bank had the following foreign currency position as at 31 December 2022 and 31 December 2021:

31 December 2022

In thousands of KM	EUR	USD	Other foreign currencies	KM	Total
Cash in foreign currencies	571,982	21	17	-	572,020
Deposits with foreign banks	8,266,502	2,351	4,347	-	8,273,200
Special Drawing Rights with the IMF	-	-	149	-	149
Debt instruments at fair value through other comprehensive income	5,887,589	-	-	-	5,887,589
Monetary gold	160,040	-	-	-	160,040
Debt instruments at amortised cost	1,172,862	-	-	-	1,172,862
Other financial assets	32	-	-	4,250	4,282
Other investments	10	-	-	27,803	27,813
Total financial assets	16,059,017	2,372	4,513	32,053	16,097,955
Banknotes and coins in circulation	-	-	-	7,436,097	7,436,097
Deposits from banks	-	-	-	7,217,387	7,217,387
Deposits from the Government and other public institutions	-	-	-	958,245	958,245
Other financial liabilities	808	21	-	3,194	4,023
Total financial liabilities	808	21	-	15,614,923	15,615,752
NET FOREIGN EXCHANGE POSITION	16,058,209	2,351	4,513	(15,582,870)	482,203

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2. Market risk (continued)

6.2.1. Foreign exchange risk (continued)

31 December 2021

In thousands of KM	EUR	USD	Other foreign currencies	KM	Total
Cash in foreign currencies	469,548	20	17	-	469,585
Deposits with foreign banks	3,941,617	1,171	2,309	-	3,945,097
Special Drawing Rights with the IMF	-	-	1,881	-	1,881
Debt instruments at fair value through other comprehensive income	11,629,592	-	-	-	11,629,592
Monetary gold	301,987	-	-	-	301,987
Other financial assets	21	-	-	3,328	3,349
Other investments	10	-	-	27,803	27,813
Total financial assets	16,342,775	1,191	4,207	31,131	16,379,304
Banknotes and coins in circulation	-	-	-	6,923,818	6,923,818
Deposits from banks	-	-	-	7,219,617	7,219,617
Deposits from the Government and other public institutions	-	-	-	1,429,596	1,429,596
Other financial liabilities	4,889	15	1	3,118	8,023
Total financial liabilities	4,889	15	1	15,576,149	15,581,054
NET FOREIGN EXCHANGE POSITION	16,337,886	1,176	4,206	(15,545,018)	798,250

The Central Bank is not exposed to EUR foreign currency risk due to currency board arrangement aligning KM to EUR at fixed exchange rate of EUR 1 = KM 1.95583.

6.2.2. Interest rate risk

Interest rate risk is the risk of changes in market value of the financial assets due to the unfavourable movements of interest rates. Interest rate risk is managed by determining the acceptable term duration and maturity of financial instruments in which the investing is done. With the longer maturity of financial instruments in which foreign currency reserves are invested, the greater is the associated risk of changes in their market value. Maximum term for investing deposits with foreign banks is one year, while maximum term of investing debt instruments with fixed income is ten years.

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2. Market risk (continued)

6.2.2. Interest rate risk (continued)

The Central Bank uses a modified duration of debt instruments at fair value through other comprehensive income as a key measure of interest rate risk exposure. The modified duration is a measure of the price sensitivity of a financial instrument to changes in interest rates, i.e., the market yield of a debt instrument. Modified duration is expressed as the number of years and the longer the duration, the higher the interest rate risk. The modified duration of the portfolio is calculated as a weighted average of the cash flows' maturities of individual financial instruments in the portfolio, where the weight is the present value of the cash flow. During 2022 modified duration of debt instruments at fair value through other comprehensive income was shortened amounting to 0.92 as at 31 December 2022 (31 December 2021: 2.19) in order to decrease the interest rate risk and further improve the currency board stability.

The following tables show the Central Bank's exposure to interest rate risk as at reporting dates by the financial instrument's carrying amount, categorised under criteria of re-determining interest rates date in accordance with contractual arrangements or the maturity date of an instrument, whichever occurs earlier:

31 December 2022						
In thousands of KM	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 Years	Non-interest bearing	Total
Cash in foreign currencies	-	-	-	-	572,020	572,020
Deposits with foreign banks	7,834,456	430,241	-	-	8,503	8,273,200
Special Drawing Rights with the IMF	147	-	-	-	2	149
Debt instruments at fair value through other comprehensive income	1,500,366	4,368,552	-	-	18,671	5,887,589
Monetary gold	-	-	-	-	160,040	160,040
Debt instruments at amortised cost	-	-	116,508	1,053,960	2,394	1,172,862
Other financial assets	-	-	-	-	4,282	4,282
Other investments	-	-	-	-	27,813	27,813
Total financial assets	9,334,969	4,798,793	116,508	1,053,960	793,725	16,097,955
Banknotes and coins in circulation	-	-	-	-	7,436,097	7,436,097
Deposits from banks	5,329,117	-	-	-	1,888,270	7,217,387
Deposits from the Government and other public institutions	-	-	-	-	958,245	958,245
Other financial liabilities	-	-	-	-	4,023	4,023
Total financial liabilities	5,329,117	-	-	-	10,286,635	15,615,752
INTEREST RATE GAP	4,005,852	4,798,793	116,508	1,053,960	(9,492,910)	482,203

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2. Market risk (continued)

6.2.2. Interest rate risk (continued)

31 December 2021	Up to 3	From 3	From 1	Over 3	Non-interest	
In thousands of KM	months	to 12	to 3	Years	bearing	Total
Cash in foreign currencies	-	-	-	-	469,585	469,585
Deposits with foreign banks	3,564,490	381,994	-	-	(1,387)	3,945,097
Special Drawing Rights with the IMF	1,881	-	-	-	-	1,881
Debt instruments at fair value through other comprehensive income	2,739,234	8,820,388	-	-	69,970	11,629,592
Monetary gold	-	-	-	-	301,987	301,987
Other financial assets	-	-	-	-	3,349	3,349
Other investments	-	-	-	-	27,813	27,813
Total financial assets	6,305,605	9,202,382	-	-	871,317	16,379,304
Banknotes and coins in circulation	-	-	-	-	6,923,818	6,923,818
Deposits from banks	5,551,424	-	-	-	1,668,193	7,219,617
Deposits from the Government and other public institutions	-	-	-	-	1,429,596	1,429,596
Other financial liabilities	-	-	-	-	8,023	8,023
Total financial liabilities	5,551,424	-	-	-	10,029,630	15,581,054
INTEREST RATE GAP	754,181	9,202,382	-	-	(9,158,313)	798,250

6.3. Liquidity risk

Liquidity risk refers to the possible difficulties in liquidating a portion of assets quickly, which is possible in the situation where market conditions are unfavourable and when there is unfavourable movement in prices.

Liquid assets are defined as those assets whose conversion into cash causes minimal transaction costs and whose value is the closest to market value.

Considering the need of guaranteeing the KM convertibility, the daily liquidity should be provided by the maturity adjustment of the Central Bank foreign currency reserves.

The liquidity framework should match the forecasted potential liquidity needs with identified liquid instruments. The liquidity of each financial instrument eligible for investment must be duly considered before the investment in the instrument is made.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3. Liquidity risk (continued)

Maturity analysis

Tables below present the maturities of the Central Bank's financial liabilities as at reporting dates based on the remaining contractual maturity from the reporting dates.

Banknotes and coins in circulation have been classified in the maturity period within three months.

31 December 2022						
In thousands of KM	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Without specified maturity	Total
Banknotes and coins in circulation	7,436,097	-	-	-	-	7,436,097
Deposits from banks	7,217,387	-	-	-	-	7,217,387
Deposits from the Government and other public institutions	958,245	-	-	-	-	958,245
Other financial liabilities	4,023	-	-	-	-	4,023
TOTAL FINANCIAL LIABILITIES	15,615,752	-	-	-	-	15,615,752

31 December 2021						
In thousands of KM	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Without specified maturity	Total
Banknotes and coins in circulation	6,923,818	-	-	-	-	6,923,818
Deposits from banks	7,219,617	-	-	-	-	7,219,617
Deposits from the Government and other public institutions	1,429,596	-	-	-	-	1,429,596
Other financial liabilities	8,023	-	-	-	-	8,023
TOTAL FINANCIAL LIABILITIES	15,581,054	-	-	-	-	15,581,054

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

7. CASH IN FOREIGN CURRENCIES

Cash in foreign currencies represents cash held in the Central Bank's vaults. The following table presents balances of cash in foreign currencies, with an analytical presentation by type of currency:

In thousands of KM	31 December 2022	31 December 2021
Cash in foreign currencies:		
EUR	571,982	469,548
USD	21	20
GBP	17	17
TOTAL	572,020	469,585

During 2022, the Central Bank purchased cash in EUR in the amount of KM 293,375 thousand from foreign bank in order to fulfil its legal obligation of guaranteeing the convertibility of KM for EUR, i.e., to execute transactions of purchase and sale of KM for EUR without restrictions. For more information see Note 3.13.

8. DEPOSITS WITH FOREIGN BANKS

Deposits with foreign banks represent the Central Bank's invested foreign currency reserves funds held on the accounts with foreign banks and other financial institutions. Deposits with foreign banks include demand deposits and term deposits and are held with foreign banks of euro area and non-euro area countries (Note 6.1.2.).

The following table presents balances of term and demand deposits, with an analytical presentation by type of currency:

In thousands of KM	31 December 2022	31 December 2021
Term deposits:		
EUR	6,646,490	2,592,738
Impairment	(1,734)	(764)
Total	6,644,756	2,591,974
Demand deposits:		
EUR	1,621,860	1,349,790
USD	2,351	1,171
CHF	2,306	109
GBP	2,043	2,202
	1,628,560	1,353,272
Impairment	(116)	(149)
Total	1,628,444	1,353,123
TOTAL	8,273,200	3,945,097

8. DEPOSITS WITH FOREIGN BANKS (CONTINUED)

As disclosed in Note 3.13., during 2022, tightening of the ECB monetary policy in the direction of abrupt increase in the key interest rates directly resulted in the increase of interest rates on foreign currency reserves which the Central Bank can hold with foreign banks.

The average negative interest rates on term deposits denominated in EUR currency, ended with July 2022, ranged from 0.59% to 0.24% p.a. From July 2022, the average positive interest rates on term deposits ranged from 0.02% to 2.11% p.a. (2021: The average negative interest rates ranged from 0.64% to 0.50% p.a.).

The average negative interest rates on demand deposits denominated in EUR currency, ended with August 2022, ranged from 0.90% to 0.21% p.a. From August 2022, the average positive interest rates ranged from 0.00% to 1.68% p.a. (2021: The average negative interest rates ranged from 0.90% to 0.50% p.a.).

Deposits with foreign banks include positive accrued interest in the amount KM 8,503 thousand as at 31 December 2022 (2021: Included negative accrued interest in the amount KM 1,387 thousand).

The average effective yield rate on deposits with foreign banks amounts to 0.21% for 2022 (2021: The average negative effective yield rate amounted to 0.54%).

Term deposits with foreign banks, analysed by the remaining contractual maturity, are as follows:

In thousands of KM	31 December 2022	31 December 2021
Up to one month	3,980,765	1,055,372
From one to two months	1,469,432	457,180
From two to three months	764,312	698,391
From three to four months	431,981	95,591
From four to twelve months	-	286,204
Total	6,646,490	2,592,738
Impairment	(1,734)	(764)
TOTAL	6,644,756	2,591,974

Deposits with foreign banks, analysed by the type of the financial institution in which the funds are invested, are provided in the following table:

In thousands of KM	31 December 2022	31 December 2021
Foreign central banks	4,619,177	2,467,662
Foreign commercial banks	3,652,090	1,477,588
International financial institutions	3,783	760
Total	8,275,050	3,946,010
Impairment (Note 6.1.1)	(1,850)	(913)
TOTAL	8,273,200	3,945,097

More information about the Central Bank's composite credit rating range and credit risk concentration for deposits with foreign banks as at reporting dates is disclosed in Note 6.1.2.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

8. DEPOSITS WITH FOREIGN BANKS (CONTINUED)

Deposits with foreign banks, analysed by the country where funds are invested, are presented in the following table:

In thousands of KM		31 December 2022	31 December 2021
Luxembourg			
	Term deposits	1,235,348	68,336
	Demand deposits	392,457	300,525
		1,627,805	368,861
Switzerland			
	Term deposits	1,574,653	381,795
	Demand deposits	3,783	760
		1,578,436	382,555
Slovakia			
	Term deposits	1,390,179	1,148,980
	Demand deposits	-	-
		1,390,179	1,148,980
France			
	Term deposits	1,260,994	488,958
	Demand deposits	78,346	78,200
		1,339,340	567,158
Great Britain			
	Term deposits	1,185,316	504,668
	Demand deposits	-	-
		1,185,316	504,668
Germany			
	Term deposits	-	-
	Demand deposits	1,055,215	914,686
		1,055,215	914,686
Netherlands			
	Term deposits	-	-
	Demand deposits	98,100	58,650
		98,100	58,650
USA			
	Term deposits	-	-
	Demand deposits	659	452
		659	452
Total term deposits		6,646,490	2,592,737
Total demand deposits		1,628,560	1,353,273
Impairment		(1,850)	(913)
TOTAL		8,273,200	3,945,097

9. SPECIAL DRAWING RIGHTS WITH THE IMF

In thousands of KM	31 December 2022	31 December 2021
Account of Special Drawing Rights with the IMF	147	1,881
Accrued interest	2	-
Total	149	1,881
Impairment	-	-
TOTAL	149	1,881

Changes in Special Drawing Rights with the IMF in the reporting periods are presented in the following table:

	For the period	
In thousands of KM	2022	2021
As at 1 January	1,881	879
Proceeds based on the account of Special Drawing Rights	22,772	613,399
Outflows	(24,445)	(611,172)
Interest income on the account of Special Drawing Rights	27	3
Collection of the accrued interest	(25)	(4)
Net foreign exchange (losses)	(61)	(1,224)
As at 31 December	149	1,881

During the comparable reporting year, the IMF remitted funds to Bosnia and Herzegovina based on SDR allocation.

10. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt instruments at fair value through other comprehensive income represent foreign currency reserve funds invested in liquid sovereign government bonds of euro area countries. The portfolio of these debt instruments includes short-term and long-term government bonds with a fixed interest rate. Debt instruments at fair value through other comprehensive income are denominated in EUR currency.

The structure of investments in debt instruments at fair value through other comprehensive income is presented in the following table:

In thousands of KM	31 December 2022	31 December 2021
Coupon debt instruments	4,656,303	7,931,557
Accrued interest on coupon debt instruments	31,978	57,320
	4,688,281	7,988,877
Discount debt instruments	1,212,615	3,628,065
Accrued (discount) / premium on discount debt instruments	(13,307)	12,650
	1,199,308	3,640,715
TOTAL	5,887,589	11,629,592

As at 31 December 2022, provisions for expected credit losses for debt instruments, recognised in other comprehensive income, amount to KM 910 thousand (31 December 2021: KM 1,786 thousand). During 2022, the net release in provisions for expected credit losses recognised in profit or loss, amounts to KM 239 thousand (2021: net increase of KM 330 thousand) For more information see Notes 6.1.1 and 27.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
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10. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

The average negative effective yield rate on debt instruments at fair value through other comprehensive income amounts to 0.74% for 2022 (2021: The average positive effective yield rate amounted to 0.12%).

Debt instruments at fair value through other comprehensive income, analysed by the country where funds are invested, are presented in the following table:

	31 December 2022		31 December 2021	
	In thousands of KM	%	In thousands of KM	%
<i>Germany</i>	1,698,303	28.84	1,799,664	15.47
<i>France</i>	1,244,391	21.13	3,986,839	34.28
<i>Spain</i>	795,710	13.52	1,428,865	12.29
<i>Italy</i>	487,539	8.28	669,171	5.75
<i>Belgium</i>	483,940	8.22	1,672,536	14.38
<i>Austria</i>	461,229	7.83	902,759	7.76
<i>Netherlands</i>	444,257	7.55	723,387	6.22
<i>Finland</i>	231,787	3.94	446,371	3.85
<i>Ireland</i>	40,433	0.69	-	-
UKUPNO	5,887,589	100.00	11,629,592	100.00

More information about the Central Bank's composite credit rating range and credit risk concentration for debt instruments at fair value through other comprehensive income as at reporting dates is disclosed in Note 6.1.2.

Changes in debt instruments at fair value through other comprehensive income during the reporting periods are presented in the following table:

In thousands of KM	2022	2021
As at 1 January	11,629,592	9,601,315
Purchases during the year	4,706,082	7,132,180
Sales during the year	(4,632,890)	(1,153,402)
Interest income recognised during the year (Note 22)	21,900	33,346
Effects of negative interest rates recognised during the year (Note 22)	(26,880)	(25,880)
Maturities of debt instruments	(5,365,116)	(3,724,978)
Maturities of coupon	(79,955)	(103,406)
Net unrealised change in fair value during the year	(365,150)	(129,592)
Transaction costs	6	9
As at 31 December	5,887,589	11,629,592

Debt instruments at fair value through other comprehensive income, analysed by their remaining contractual maturity, are presented in the following table:

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
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**10. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
(CONTINUED)**

In thousands of KM	31 December 2022	31 December 2021
Up to three months	514,934	1,114,409
From three to twelve months	3,120,538	4,093,847
From one to three years	2,180,052	2,958,887
Over three years	72,065	3,462,449
TOTAL	5,887,589	11,629,592

For more information on activities related to portfolio of debt instruments at fair value through other comprehensive income see Note 3.13.

11. MONETARY GOLD

As at reporting dates, the values of the input data for calculating the fair value of monetary gold are provided in the following table:

In thousands of KM

As at	Quantity of ounces	Price per ounce in KM	Fair value of monetary gold as at
31 December 2022	48,000	3,334	160,040
31 December 2021	96,000	3,146	301,987

Changes in monetary gold in the reporting periods are provided in the following table:

In thousands of KM	2022	2021
As at 1 January	301,987	291,561
Sales during the year	(161,943)	-
Net unrealised change in fair value during the year	19,996	10,426
As at 31 December	160,040	301,987

During 2022, the Central Bank sold 48,000 ounces of monetary gold and realised the net gain in the amount of KM 60,014 thousand. For more information see Note 25.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
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12. DEBT INSTRUMENTS AT AMORTISED COST

Debt instruments at amortised cost represent Central Bank's foreign currency reserves funds invested in liquid sovereign government bonds of the euro area countries with the intention of holding them until maturity. As at reporting date, this portfolio consists of long-term coupon government bonds with a fixed interest rate. Debt instruments at amortised cost are denominated in EUR currency.

The structure of investments in debt instruments at amortised cost is presented in the following table:

In thousands of KM	31 December 2022	31 December 2021
Coupon debt instruments	1,170,693	-
Accrued interest on coupon debt instruments	2,394	-
Total	1,173,087	-
Impairment	(225)	-
TOTAL	1,172,862	-

The average effective yield rate on debt instruments at amortised cost amounts to 0.98% for 2022.

Debt instruments at amortised cost, analysed by the country where the funds are invested in, are presented in the following table:

	31 December 2022		31 December 2021	
	In thousands of KM	%	In thousands of KM	%
<i>France</i>	219,864	18.74	-	-
<i>Spain</i>	190,370	16.23	-	-
<i>Austria</i>	189,737	16.17	-	-
<i>Italy</i>	152,343	12.99	-	-
<i>Finland</i>	92,434	7.88	-	-
<i>Belgium</i>	91,070	7.76	-	-
<i>Germany</i>	58,883	5.02	-	-
<i>Netherlands</i>	55,142	4.70	-	-
<i>Ireland</i>	54,470	4.64	-	-
<i>Slovakia</i>	41,776	3.56	-	-
<i>Luxembourg</i>	26,998	2.31	-	-
Total	1,173,087	100.00	-	-
Impairment	(225)		-	
TOTAL	1,172,862		-	

More information about the Central Bank's composite credit rating range and credit risk concentration for debt instruments at amortised cost as at reporting dates is disclosed in Note 6.1.2.

Changes in debt instruments at amortised cost during the reporting periods are presented in the following table:

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12. DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

In thousands of KM	2022	2021
As at 1 January	-	-
Purchases during the year	1,166,137	-
Interest income recognised during the year (Note 22)	8,669	-
Maturities of coupons	(1,721)	-
Net impairment during the year	(225)	-
Transaction costs	2	-
As at 31 December	1,172,862	-

Debt instruments at amortised cost, analysed by their remaining contractual maturity, are presented in the following table:

In thousands of KM	31 December 2022	31 December 2021
Up to 3 months	-	-
From 3 to 12 months	-	-
From 1 to 3 years	116,872	-
Over 3 years	1,056,215	-
Total	1,173,087	-
Impairment	(225)	-
TOTAL	1,172,862	-

13. OTHER ASSETS

In thousands of KM	31 December 2022	31 December 2021
Receivables from domestic banks	2,495	2,203
Giro accounts	1,435	682
Receivables from employee based on domestic currency deficit	600	600
Other miscellaneous financial assets	359	472
Total	4,889	3,957
Impairment	(607)	(608)
Total other financial assets	4,282	3,349
Prepaid expenses for banknotes and coins production	12,995	11,164
Numismatic collections	1,190	981
Prepaid expenses for business administration	587	1,194
Other miscellaneous nonfinancial assets	226	239
Total other nonfinancial assets	14,998	13,578
TOTAL	19,280	16,927

As explained in Note 3.9, prepaid expenses for banknotes and coins production are initially recognised as accrued expenses and subsequently amortised by the expense recognising over the five years period. For more information see Note 31.

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14. PROPERTY AND EQUIPMENT

In thousands of KM	Land and buildings	Equipment and furniture	Vehicles	Other	Assets under construction	Property and equipment total
Cost						
As at 1 January 2021	44,368	25,960	1,684	1,081	5,288	78,381
Additions	-	-	-	-	3,731	3,731
Transferred to use	5,306	3,670	-	1	(8,977)	-
Returned to use	-	-	64	-	-	64
Write offs and disposals	-	(1,889)	(336)	(4)	-	(2,229)
As at 31 December 2021	49,674	27,741	1,412	1,078	42	79,947
Additions	-	-	-	-	838	838
Transferred to use	-	750	-	-	(750)	-
Write offs and disposals	-	(2,022)	(10)	(19)	-	(2,051)
As at 31 December 2022	49,674	26,469	1,402	1,059	130	78,734
Accumulated depreciation						
As at 1 January 2021	6,553	20,930	1,472	866	-	29,821
Charge for the year	580	1,421	75	37	-	2,113
Returned to use	-	-	64	-	-	64
Write offs and disposals	-	(1,888)	(336)	(4)	-	(2,228)
As at 31 December 2021	7,133	20,463	1,275	899	-	29,770
Charge for the year	580	1,787	73	37	-	2,477
Write offs and disposals	-	(2,019)	(10)	(19)	-	(2,048)
As at 31 December 2022	7,713	20,231	1,338	917	-	30,199
Net carrying amount						
As at 1 January 2022	42,541	7,278	137	179	42	50,177
As at 31 December 2022	41,961	6,238	64	142	130	48,535

The Central Bank has a temporary restriction on right of use over the land purchased for the purpose of new office building construction for Main Unit Sarajevo of the Central Bank. The temporary restriction is related to the failure to issue urban planning permission from the land seller needed for beginning with the construction of the new office building by the Central Bank. The Central Bank is the legal owner of the land and has no outstanding contractual obligations to the land seller.

As at reporting dates, except from the above mentioned, the Central Bank has no other encumbrances over its property and equipment.

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15. INTANGIBLE ASSETS

In thousands of KM	Software and other intangible assets	Intangible assets under construction	Intangible assets total
Cost			
As at 1 January 2021	15,657	322	15,979
Additions	-	157	157
Transferred to use	479	(479)	-
Write offs and disposals	-	-	-
As at 31 December 2021	16,136	-	16,136
Additions	-	287	287
Transferred to use	287	(287)	-
Write offs and disposals	(470)	-	(470)
As at 31 December 2022	15,953	-	15,953
Accumulated amortisation			
As at 1 January 2021	14,745	-	14,745
Charge for the year	408	-	408
Write offs and disposals	-	-	-
As at 31 December 2021	15,153	-	15,153
Charge for the year	426	-	426
Write offs and disposals	(470)	-	(470)
As at 31 December 2022	15,109	-	15,109
Net carrying amount			
As at 1 January 2022	983	-	983
As at 31 December 2022	844	-	844

16. OTHER INVESTMENTS

The structure of other investments is as follows:

In thousands of KM	31 December 2022	31 December 2021
<i>Equity instruments:</i>		
Shares in BIS	27,803	27,803
Shares in SWIFT	10	10
TOTAL	27,813	27,813

BIS is specialised financial institution owned and managed by 63 central banks all over the world whose main role is to foster central banks' cooperation, ensure monetary and financial stability and mediate in financial transactions between central banks. BIS shares are exclusively owned by central banks and monetary authorities.

SWIFT is a cooperation owned by the financial institutions that are its members.

BIS and SWIFT shares are not tradable.

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16. OTHER INVESTMENTS (CONTINUED)

The Central Bank owns ordinary BIS shares with a nominal value of SDR 5,000 per share, paid up at 25% of their nominal value by former Yugoslavia. In accordance with the Statue of BIS, remaining 75% of the share's nominal value is payable upon call for payment from BIS by the Central Bank. The Central Bank has a dividend right arising from these shares (Note 28).

SWIFT shares are composed of two ordinary shares and their total value is KM 10 thousand.

BIS and SWIFT shares represent unquoted equity instruments whose fair value cannot be reliably determined and therefore they are recorded at cost.

17. BANKNOTES AND COINS IN CIRCULATION

Changes in banknotes and coins in circulation during the reporting periods are presented in the following table:

In thousands of KM	2022	2021
As at 1 January	6,923,818	6,172,457
Net increase in value of banknotes and coins in circulation during the year	512,279	751,361
As at 31 December	7,436,097	6,923,818

The denomination structure and the quantity of banknotes and coins in circulation are presented in the following table:

31 December 2022				31 December 2021			
Denomination		Pieces	Value in thousands of KM	Pieces		Value in thousands of KM	
Coins	0.05	94,835,088	4,742	87,887,648		4,394	
Coins	0.10	134,369,633	13,437	124,580,693		12,458	
Coins	0.20	98,502,878	19,701	90,394,860		18,079	
Coins	0.50	46,202,553	23,101	43,295,285		21,648	
Coins	1	69,045,388	69,045	63,499,924		63,500	
Coins	2	19,744,315	39,489	18,104,332		36,209	
Coins	5	14,846,895	74,234	13,647,262		68,236	
Total coins		477,546,750	243,749	441,410,004		224,524	
Banknotes	10	14,985,812	149,858	14,244,184		142,442	
Banknotes	20	11,453,994	229,080	10,787,416		215,748	
Banknotes	50	27,570,944	1,378,547	26,420,846		1,321,042	
Banknotes	100	45,234,277	4,523,428	41,107,777		4,110,778	
Banknotes	200	4,557,175	911,435	4,546,419		909,284	
Total banknotes		103,802,202	7,192,348	97,106,642		6,699,294	
TOTAL		581,348,952	7,436,097	538,516,646		6,923,818	

18. DEPOSITS FROM BANKS

The structure of deposits from banks is presented in the following table:

In thousands of KM	31 December 2022	31 December 2021
Deposits from domestic banks	7,215,919	7,218,902
Reserve accounts of the Central Bank organizational units	1,435	682
Special deposit of domestic banks – blocked funds	33	33
TOTAL	7,217,387	7,219,617

Deposits from domestic banks are placed in accordance with required reserve policy of the Central Bank, to meet obligations for settling payment transactions between domestic banks mutually as well as for transactions with the Central Bank. As at 31 December 2022 the total amount of KM 7,215,919 thousand represents deposits of 23 domestic banks (2021: KM 7,218,902 thousand represented deposits of 23 banks). For more information see Note 38.

Deposits from domestic banks, on the basis of required reserve policy, include negative accrued remuneration in the amount KM 894 thousand as at 31 December 2022 (31 December 2021: Included negative accrued remuneration in the amount KM 2,498 thousand).

The base for the required reserve calculation for domestic banks consists of deposits and borrowings regardless of the expressed currency.

The unique required reserve ratio is established to be applied by the Central Bank on the required reserve base equally to all domestic banks. Required reserve ratio amounts to 10% as at the reporting dates.

Amounts exceeding the required reserve are deposits that domestic banks hold on their reserve accounts. The Central Bank calculates negative remuneration rate on these funds. More information on policy for remuneration rate calculation on deposits from domestic banks during the reporting periods is provided in Notes 22 and 39.

19. DEPOSITS FROM THE GOVERNMENT AND OTHER PUBLIC INSTITUTIONS

The structure of deposits from the Government and other public institutions is provided in the following table:

In thousands of KM	31 December 2022	31 December 2021
Budgetary deposits from BH institutions	560,390	693,533
Deposits from other public institutions	272,721	304,875
Deposits from other local governments and government institutions	125,108	279,323
Deposit account under the IMF transactions	26	151,711
Deposits – BH external debt	-	154
TOTAL	958,245	1,429,596

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20. PROVISIONS

Provisions are related to provisions for employees' severance payments and jubilee awards and provisions for potential liabilities on litigations. As at reporting dates, the Central Bank has no provisions for litigations.

Changes in provisions are presented in the following tables:

				2022
In thousands of KM				
	Litigations	Severance payments	Jubilee awards	Total
As at 1 January	-	1,373	33	1,406
Released provisions	-	(398)	-	(398)
Increase in provisions	-	58	13	71
Total recognised in profit or loss	-	(340)	13	(327)
Amounts paid	-	(173)	(9)	(182)
As at 31 December	-	860	37	897

				2021
In thousands of KM				
	Litigations	Severance payments	Jubilee awards	Total
As at 1 January	-	1,414	-	1,414
Released provisions	-	(105)	-	(105)
Increase in provisions	-	243	33	276
Total recognised in profit or loss	-	138	33	171
Amounts paid	-	(179)	-	(179)
As at 31 December	-	1,373	33	1,406

Litigations

The Central Bank is a defendant in few legal proceedings arising from its operations. As at reporting dates, the Central Bank contests this claims and based on legal advice considers that no material liabilities will be incurred.

Commitments

As at reporting dates, the Central Bank has no unrecognised contractual commitments.

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21. OTHER LIABILITIES

The structure of other liabilities is presented in the following table:

In thousands of KM	31 December 2022	31 December 2021
IMF Accounts No. 1 and 2 (Note 37)	2,268	2,242
Suppliers	1,322	1,560
The World Bank deposits	315	89
Accrued, but non-invoiced liabilities	101	4,114
Other financial liabilities	17	18
Total other financial liabilities	4,023	8,023
Non-financial liabilities on various bases	229	87
Collected and deferred income	49	52
Total other nonfinancial liabilities	278	139
TOTAL	4,301	8,162

22. NET INTEREST INCOME

In thousands of KM	For the year ended 31 December	
	2022	2021
Interest income arising from:		
Effects of negative deposit interest rates on deposits from domestic banks	25,205	22,218
Deposits with foreign banks	23,031	1
Debt instruments at fair value through other comprehensive income (Note 10)	21,900	33,346
Debt instruments at amortised cost (Note 12)	8,669	-
Special Drawing Rights with the IMF	27	3
Total	78,832	55,568
Interest expense arising from:		
Effects of negative interest rates from debt instruments at fair value through other comprehensive income (Note 10)	(26,880)	(25,884)
Effects of negative interest rates from deposits with foreign banks	(12,146)	(19,536)
Total	(39,026)	(45,420)
Net interest income	39,806	10,148

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22. NET INTEREST INCOME (CONTINUED)

Total interest and similar income and expenses by classes of financial instruments are presented in the following table:

In thousands of KM	For the year ended 31 December	
	2022	2021
1. Financial assets at amortised cost		
<i>Interest income arising from:</i>		
Deposits with foreign banks	23,031	1
Debt instruments at amortised cost	8,669	-
Special Drawing Rights with the IMF	27	3
	<u>31,727</u>	<u>4</u>
<i>Interest expense arising from:</i>		
Effects of negative interest rates from deposits with foreign banks	(12,146)	(19,536)
	<u>(12,146)</u>	<u>(19,536)</u>
Total	19,581	(19,532)
2. Financial assets at fair value through other comprehensive income		
Interest income arising from debt instruments at fair value through other comprehensive income	21,900	33,346
Effects of negative interest rates from debt instruments at fair value through other comprehensive income	(26,880)	(25,884)
Total	(4,980)	7,462
3. Financial liabilities at amortised cost		
Effects of negative deposit interest rates on deposits from domestic banks	25,205	22,218
Total	25,205	22,218
Net interest income	39,806	10,148

The base for calculation of interest expense, i.e., the effects of negative deposit interest rates on deposits from domestic banks is generated from the total amount of deposits of domestic banks on reserve accounts during the ten-day calculation period, which consists of required reserve amounts and the amounts exceeding the required reserves.

The Central Bank does not calculate remuneration on the required reserves amounts generated from domestic currency base. The remuneration is calculated on the required reserves amounts generated from the foreign currency base and the domestic currency with a currency clause base. The remuneration is also calculated on the amounts exceeding the required reserves.

In the period 01/01 -31/08/2022, the remuneration rates applied by the Central Bank are linked to the ECB deposit facility rate, additionally reduced by 10 basis points for the required reserves amounts generated from the foreign currency base and the domestic currency with a currency clause base and by 25 basis points for the amounts exceeding the required reserves. In the period 01/09 -31/12/2022, negative remuneration rates are determined in fixed amounts and equal 10 basis points on the required reserves amounts generated from the foreign currency base and the domestic currency with a currency clause base and 25 basis points for the amounts exceeding the required reserves.

22. NET INTEREST INCOME (CONTINUED)

In the period 01/01 - 31/05/2021 the Central Bank applied remuneration rate only on the amounts exceeding the required reserves which was equal to the ECB deposit facility rate. In the period 01/06 - 31/12/2021 the Central Bank started to calculate the remuneration rate on the required reserves amounts reduced by 10 basis points, while the remuneration rate on the amounts exceeding the required reserves remained unchanged.

For more information about ECB deposit facility rates see Notes 3.13. and 6.

The effects of negative deposit interest rates on domestic banks deposits are the result of the negative interest rate on the required reserves amounts generated from foreign currency base, domestic currency with currency clause base and the amounts exceeding the required reserves. During the reporting periods, the Central Bank's negative remuneration rates amounted to:

Base for calculation of remuneration	The Central Bank remuneration rate for the period	
	01/01 - 31/7	01/08 - 31/12
2022		
Required reserves amounts	01/01 - 31/7	01/08 - 31/12
<i>Domestic currency base</i>	0.00%	0.00%
<i>Foreign currency base</i>	(0.60%)	(0.10%)
<i>Domestic currency with currency clause base</i>	(0.60%)	(0.10%)
Amounts exceeding the required reserves	(0.75%)	(0.25%)
2021		
Required reserves amounts	01/01 - 31/5	01/06 - 31/12
<i>Domestic currency base</i>	0.00%	0.00%
<i>Foreign currency base</i>	0.00%	(0.60%)
<i>Domestic currency with currency clause base</i>	0.00%	(0.60%)
Amounts exceeding the required reserves	(0.50%)	(0.50%)

The remuneration rates applied by the Central Bank arising from the required reserves instrument are determined solely to cover its opportunity costs that are generated from the holding deposit funds of domestic banks and for the purpose of strengthening the domestic currency and are a consequence of the Central Bank's exposure to the negative interest rates on the financial markets during the major part of 2022. More information regarding the required reserves policy of the Central Bank is disclosed in Note 18.

Effects of negative deposit interest rates on deposits from domestic banks include income of KM 19,985 thousand from the amounts exceeding the required reserves and income of KM 5,220 thousand from the amounts of required reserves (2021: KM 17,422 thousand arising from the amounts exceeding the required reserves and KM 4,796 thousand arising from the amounts of required reserves).

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22. NET INTEREST INCOME (CONTINUED)

Effects of negative interest rates from interest-bearing financial assets are the result of negative interest rates and yields calculated on deposits with foreign banks and debt instruments that could not be avoided according to current market circumstances and allowed legal requirements for investing Central Bank's foreign currency reserves. During 2022, the zone of negative interest rates with foreign banks and yields on debt instruments has been converted to its positive zone. For more information see Note 3.13.

As at 31 December 2022, all deposits with foreign banks are invested at positive interest rates.

Following table presents interest income and effects of negative interest rates from deposits with foreign banks with an analytical presentation of corresponding amounts by the term type:

In thousands of KM	For the year ended 31 December	
	2022	2021
Interest income		
Term deposits	19,585	-
Demand deposits	3,446	1
Total	23,031	1
Interest expense		
Term deposits	(10,147)	(15,815)
Demand deposits	(1,999)	(3,721)
Total	(12,146)	(19,536)
Net interest income	10,885	(19,535)

23. NET FEE AND COMMISSION INCOME

In thousands of KM	For the year ended 31 December	
	2022	2021
Fee and commission income arising from:		
Services for domestic banks	20,969	18,759
Services for the Government and other non-banking clients	1,735	2,211
Total	22,704	20,970
Fee and commission expenses arising from:		
Custodian and other expenses for debt instruments	(749)	(777)
Transactions with foreign banks	(36)	(29)
Other fee and commission expenses	(6)	(7)
Total	(791)	(813)
Net fee and commission income	21,913	20,157

23. NET FEE AND COMMISSION INCOME (CONTINUED)

The Central Bank calculates fee and commission income under determined tariffs for its services (Note 3.9). Fee and commission income for domestic banks are dominantly generated from transactions in the Real-Time Gross Settlement system and Gyro Clearing system. More information on payment systems functioning is disclosed in Note 38.

24. NET REALISED (LOSSES) / GAINS FROM SALE OF DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In thousands of KM	For the year ended 31 December	
	2022	2021
Realised gains	20,145	6,476
Realised losses	(83,615)	(1,527)
TOTAL	(63,470)	4,949

The corresponding amounts of realised gains from released provisions for expected credit losses for debt instruments are presented in Note 6.1.1.

25. NET REALISED GAINS FROM SALE OF MONETARY GOLD

Gains arising from fair value changes of monetary gold recognised in other comprehensive income, within fair value reserves for monetary gold, are recognised as realized gains in profit or loss account at the sale date. Net realised gains from the sale of 48,000 ounces of monetary gold carried out during 2022 amount to KM 60,014 thousand.

26. NET FOREIGN EXCHANGE (LOSSES)

In thousands of KM	For the year ended 31 December	
	2022	2021
Net unrealised foreign exchange (losses)	(150)	(670)
Net realised foreign exchange gains	108	184
TOTAL	(42)	(486)

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27. NET IMPAIRMENT ON FINANCIAL ASSETS

In thousands of KM	For the year ended 31 December	
	2022	2021
Net (increase) in impairment for deposits with foreign banks	(937)	(106)
Net (increase) in / release of impairment for Special Drawing Rights with the IMF	-	-
Net release of / (increase) in provisions for expected credit losses for debt instruments at fair value through other comprehensive income	239	(330)
Net (increase) in provisions for expected credit losses for debt instruments at amortised cost	(225)	-
Net (increase) in / release of impairment for other financial assets	(1)	10
TOTAL	(924)	(426)

More information on the amounts of total increases and releases from expected credit losses in the reporting periods is disclosed in Note 6.1.1.

28. OTHER INCOME

In thousands of KM	For the year ended 31 December	
	2022	2021
Dividend income	721	1,297
Net effects of numismatic collections value adjustments	61	4
Other income	68	101
TOTAL	850	1,402

During 2022, the Central Bank received a dividend from BIS shares amounting to KM 721 thousand (2021: KM 1,297 thousand). In the comparative reporting period, received dividend consisted of a normal dividend and a supplement to the dividend per share. For more information see Note 16.

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29. PERSONNEL EXPENSES

In thousands of KM	For the year ended 31 December	
	2022	2021
Salaries	10,499	10,678
Contributions and other fees on salaries	5,874	6,090
Other employee benefits	2,025	2,089
Contributions and other fees on other employee benefits	551	641
Total	18,949	19,498
Net (release) of / increase in provisions for employees' severance payments and jubilee awards (Note 20)	(327)	171
TOTAL	18,622	19,669

Personnel expenses include KM 3,637 thousand (2021: KM 3,756 thousand) of defined pension contributions paid to the public pension funds in BH. Contributions are calculated as percentage of the gross salary.

Other employee benefits are mainly comprised of expenses arising from meal allowances, transport services and vacation bonuses.

The average number of employees amounts to 352 for 2022 (2021: 368).

The discount rate of 4% is used for calculation of the severance payments and the jubilee awards (2021: 2%)

30. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

In thousands of KM	For the year ended 31 December	
	2022	2021
Payment systems maintenance expenses	1,691	1,713
Overhead expenses	913	957
IT infrastructure expenses	896	878
Access to official services expenses	751	681
Fixed assets maintenance expenses	520	470
Other administrative and operating expenses	2,220	1,815
TOTAL	6,991	6,514

31. COSTS OF PRODUCTION OF BANKNOTES AND COINS

In thousands of KM	For the year ended 31 December	
	2022	2021
Costs of production and design of banknotes	2,128	2,767
Costs of production and design of coins	1,604	1,376
TOTAL	3,732	4,143

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32. ALLOCATION OF THE ANNUAL NET PROFIT

The allocation of the net profit is carried out in accordance with the Law on the Central Bank.

The provisions of the Law on the Central Bank define the criteria of the net profit allocation, according to which the Central Bank allocates 60% of the current profit to the account of the institution responsible for the Budget of BH, provided that the amount of the initial capital and general reserves (retained earnings) is equal to 5.00% of the total monetary liabilities.

This ratio, before the profit allocation in 2022 amounted to 3.67% (2021: 3.66%). According to the Decision of the Governing Board, total amount of net profit for the 2022 financial year in the amount of KM 25,899 thousand is allocated to the general reserves (retained earnings) of the Central Bank (2021: total of the net profit for the 2021 financial year in the amount of KM 2,897 thousand was allocated to the general reserves (retained earnings) of the Central Bank).

2022

Before profit allocation

	(In thousands of KM)
Monetary liabilities	15,611,729
Initial capital and general reserves (retained earnings)	573,100
Ratio - initial capital and general reserves (retained earnings) / monetary liabilities	3.67%

Profit allocation

	(In thousands of KM)
Net profit before allocation	25,899
Allocation of profit to general reserves (retained earnings)	25,899

After profit allocation

	(In thousands of KM)
Monetary liabilities	15,611,729
Initial capital and general reserves (retained earnings)	598,999
Ratio - initial capital and general reserves (retained earnings) / monetary liabilities	3.84%

2021

Before profit allocation

	(In thousands of KM)
Monetary liabilities	15,573,031
Initial capital and general reserves (retained earnings)	570,203
Ratio - initial capital and general reserves (retained earnings) / monetary liabilities	3.66%

Profit allocation

	(In thousands of KM)
Net profit before allocation	2,897
Allocation of profit to general reserves (retained earnings)	2,897

After profit allocation

	(In thousands of KM)
Monetary liabilities	15,573,031
Initial capital and general reserves (retained earnings)	573,100
Ratio - initial capital and general reserves (retained earnings) / monetary liabilities	3.68%

33. EQUITY

The structure of equity is presented in the following table:

In thousands of KM	31 December 2022	31 December 2021
Initial capital	25,000	25,000
Fair value reserves for debt and equity instruments	(143,005)	158,914
Fair value reserves for monetary gold	58,111	98,129
Other reserves	31,300	31,300
General reserves (Retained earnings)	573,999	548,100
TOTAL	545,405	861,443

Initial capital

Initial capital represents nominal capital paid in on 12 June 1998 in accordance with the Law on Central Bank.

Fair value reserves

Fair value reserves relate to:

- Fair value reserves for debt instruments and monetary gold representing cumulative unrealised gains and losses arising from changes in market value of these financial assets during the holding period.
- Provisions for expected credit losses relating to debt instruments measured at fair value through other comprehensive income. For more information see Note 6.1.1.

Other reserves

Other reserves relate to:

- Special reserves from grants in the amount of KM 3,497 thousand, which relate to grants received in cash from the Council of Ministers of Bosnia and Herzegovina on 12 June 1998. The status of these reserves is regulated by the Decision of the Governing Board of the Central Bank with the approval of the Presidency of Bosnia and Herzegovina. The right to utilise the reserves from grants fall within the competence of the Governing Board of the Central Bank.
- Amounts received in accordance with the Succession Agreement of the former Yugoslavia in the amount of KM 27,803 thousand and relates to shares in BIS (see Note 16).

General reserves (Retained earnings)

General reserves (Retained earnings) comprise of accumulated undistributed profits of the Central Bank since the beginning of its operations on 11 August 1997. Status of General reserves (Retained earnings) is in jurisdiction of the Central Bank's Governing Board. General reserves (Retained earnings) are primarily used for the Central Bank's net profit or loss allocation, as prescribed by the Law on the Central Bank.

As at 31 December 2022, the equity of the Central Bank has decreased compared to its balance at 31 December 2021 as the result of changed circumstances in which the Central Bank conducted its operations. For more information see Note 3.13. The decline in the fair value reserves is the reflection of the Central Bank's debt instruments market price changes and does not withdraw any actual loss for the Central Bank nor threatens the collection of contractual cash flows from debt instruments during their holdings. As at the reporting date, the capitalisation level of the Central Bank is sufficiently high to absorb temporary increases of market yields and/or decreases of the gold market prices in the foreign currency reserves portfolio. For more information about the Central Bank's credit risk management see Note 6.1.2.

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34. CASH AND CASH EQUIVALENTS

For the purposes of the Cash flow statement, cash and cash equivalents comprise of:

In thousands of KM	31 December 2022	31 December 2021
Foreign currency deposits with maturity up to three months or less from the date of acquisition	5,646,221	2,162,164
Foreign currency demand deposits	1,628,560	1,353,272
Cash in foreign currencies	572,020	469,585
Special Drawing Rights with the IMF	149	1,881
Giro accounts	1,435	682
Total	7,848,385	3,987,584
Impairment	(1,752)	(858)
TOTAL	7,846,633	3,986,726

Changes in expected credit losses on cash and cash equivalents in the reporting periods are provided below:

In thousands of KM	2022	2021
As at 1 January	858	674
Foreign currency deposits with maturity up to three months or less from the date of acquisition	927	214
Foreign currency demand deposits	(33)	(30)
Cash in foreign currencies	-	-
Special Drawing Rights with the IMF	-	-
Giro accounts	-	-
As at 31 December	1,752	858

35. RELATED PARTY TRANSACTIONS

In the normal course of its operations, the Central Bank enters into transactions with related parties. Having in mind that the Central Bank has been established by a Legal Act passed by Parliamentary Assembly of Bosnia and Herzegovina and that the initial capital has been paid up in accordance with the Law on the Central Bank, transactions performed as part of regular operations of the Central Bank with the state and BH institutions represent related party transactions. In accordance with the Law on the Central Bank, the Central Bank acts as an agent for the BH state and for other BH institutions. The Central Bank receives deposits from BH state and other public agencies as determined by the Presidency of BH and acts strictly on depositors' behalf and order.

Transactions with the state and BH institutions are disclosed in the following table:

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35. RELATED PARTY TRANSACTIONS (CONTINUED)**In thousands of KM**

As at
31 December 2022

	BH Ministry of Finance and Treasury	BH Deposit Insurance Agency	BH Indirect Taxation Authority	Total
ASSETS				
Other assets	30	3	11	44
TOTAL	30	3	11	44
LIABILITIES				
Deposits from depositors	423,902	230,883	202,588	857,373
Other liabilities	-	-	1	1
TOTAL	423,902	230,883	202,589	857,374

In thousands of KM

As at
31 December 2021

	BH Ministry of Finance and Treasury	BH Deposit Insurance Agency	BH Indirect Taxation Authority	Total
ASSETS				
Other assets	62	31	23	116
TOTAL	62	31	23	116
LIABILITIES				
Deposits from depositors	917,836	287,313	163,300	1,368,449
Other liabilities	-	-	1	1
TOTAL	917,836	287,313	163,301	1,368,450

Generated income with the State and BH institutions is presented in the following table:

	For the year ended 31 December	
In thousands of KM	2022	2021
Fee and commission income		
BH Ministry of Finance and Treasury	129	393
BH Indirect taxation authority	122	140
BH Deposit Insurance Agency	54	183
TOTAL	305	716

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

In executing its functions of the banker, the depository and the fiscal agent prescribed by the Law on the Central Bank, the Central Bank also maintains certain bookkeeping and executes transactions for the State and BH institutions that are recorded off-balance. More information about these off-balance records is disclosed in Notes 36 and 37.

Remuneration of key management members

In accordance with IAS 24, key management personnel, close family members of key management personnel, and entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members are considered as related parties.

The total remuneration of the members of the key management personnel in 2022 amounted to KM 1,005 thousand, out of which KM 631 thousand was related to salaries and other remuneration and KM 374 thousand to taxes and contributions (in 2021 out of total amount of KM 918 thousand the amount of KM 574 thousand was related to salaries and other remuneration and KM 344 thousand was related to taxes and contributions).

36. OFF-BALANCE SHEET DEPOSITS

The Central Bank maintains certain accounts in foreign currencies related to agreements concluded between the governments in BH and foreign governments and financial organisations. As these accounts do not represent either assets or liabilities of the Central Bank, are not included in the Central Bank's statement of financial position.

Off-balance sheet deposits also include foreign currency accounts of the BH institutions and agencies, as well as at banks, for which the Central Bank acts as an agent.

Off-balance sheet items consist of:

In thousands of KM	31 December 2022	31 December 2021
Deposits of the Council of Ministers of BH for the budget of BH institutions	197,946	1,567
Deposits of the Council of Ministers of BH for the servicing of foreign debt	9,367	6,923
Other deposits of the Council of Ministers of BH	294	271
Deposits of the Council of Ministers of BH on the basis of succession	47	44
Total	207,654	8,805
Funds of the BH Deposit Insurance Agency	20,985	40,910
Total	20,985	40,910
Deposit accounts of domestic banks	18,537	7,628
Deposits - Retirement allowance from Germany	348	72
Total	18,885	7,700
TOTAL	247,524	57,415

BH Ministry of Finance and Treasury is the institution that acts on behalf of the Council of Ministers of BH and state in deposit management and coordination as presented in the table. As at 31 December 2022 the total of these funds amount to KM 207,654 thousand (2021: KM 8,805 thousand).

36. OFF-BALANCE SHEET DEPOSITS (CONTINUED)**Residents' investments related to securities**

The Central Bank enabled the BH Deposit Insurance Agency to invest in securities by opening accounts (cash and custody accounts) in the name of the Central Bank. All transactions on these accounts are performed between the BH Deposit Insurance Agency and its Asset Manager. The Central Bank does not charge any interest on such accounts.

37. BH MEMBERSHIP WITH THE IMF

According to arrangements concluded between BH and the IMF, the Central Bank is designated as a fiscal agent and depository for BH membership with the IMF. The Central Bank's role as the fiscal agent is specific due to currency board arrangement. By performing the function of fiscal agent defined by the Law on the Central Bank and by the Law on the borrowing, debt and guarantees in Bosnia and Herzegovina, the Central Bank is not obliged in any way to pay any debt of BH nor can be attributed to pay such debt nor its foreign currency reserves can in no way be considered as a guarantee for the payment of such debt. The Central Bank acts on behalf of the BH in dealing with the IMF but does not have any responsibility for assets and liabilities related to the membership.

The Central Bank maintains Special Drawing Rights with the IMF account, IMF account No.1 and IMF account No.2 in the statement of financial position. The Central Bank also provides a custody service for the BH Promissory notes issued to support IMF membership and repurchase obligations that are recorded off-balance.

Special Drawing Rights with the IMF are demand funds denominated in SDR on the account opened with the IMF for the BH. The Central Bank holds Special Drawing Rights as a part of its foreign currency reserve management function. These funds are interest-bearing for the Central Bank.

IMF account No. 1 is the IMF account with the Central Bank that is used for transactions with the IMF related to utilization and repayment of IMF loans. IMF account No. 2 is the IMF account with the Central Bank that is used by the IMF for receipts and administrative disbursements in KM on Bosnia and Herzegovina territory. These accounts are part of the Central Bank's liabilities and are denominated in KM.

The quota balance is a specific type of asset which represents BH's subscription as a member of the IMF, denominated in SDRs. The quota represents BH's voting powers in the IMF, the limits to access to financial resources of the IMF and a BH's share in the allocation of SDRs which are the IMF's unit of account.

Promissory notes are issued by the Ministry of Finance and Treasury of BH and are substituted for KM. These securities are payable on demand by the IMF.

SDR allocation is also interest-bearing. Ministry of Finance and Treasury of BH pays interest on Special Drawing Rights allocation.

Promissory notes account, IMF account No.1 and IMF account No. 2 are subject of valuation adjustments whenever the currency is used in financial transactions between the IMF and BH. At least once per year, at the end of the IMF's financial year (30 April), all IMF currency holding are revalued based on the prevailing SDR exchange rate. These valuation adjustments are included in account balances stated.

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37. BH MEMBERSHIP WITH THE IMF (CONTINUED)

The Central Bank uses net method in presentation of BH financial position with the IMF which is provided by the following table:

In thousands of KM

	31 December 2022	31 December 2021
Quota	649,867	641,864
Special Drawing Rights with the IMF	149	1,881
TOTAL ASSETS	650,016	643,745
IMF account No.1	1,625	1,605
IMF account No.2	643	637
Securities	1,543,253	1,562,617
SDR allocation	1,017,117	1,004,591
Accrued interest on SDR allocation	4,669	92
Accounts of payable charges	5,610	1,627
TOTAL LIABILITIES	2,572,917	2,571,169
BH NET POSITION WITH THE IMF	1,922,901	1,927,424

As at reporting dates, BH quota with the IMF amount to SDR 265,200 thousand. The quota does not earn interest.

38. DOMESTIC PAYMENT AND SETTLEMENT SYSTEMS

On the basis of the Law on the Central Bank, the Central Bank has established the systems by which interbank payments in KM in BH are performed.

Since January 2001, the interbank clearing and settlement systems are organized through two payment systems owned and administered by the Central Bank. Those are Real-Time Gross Settlement (RTGS) and Giro Clearing system (GC).

RTGS is a system through which real-time payment orders are settled through settlement accounts that participants have opened with the Central Bank. All the banks licenced to perform payment operations are participants, as well as the Central Bank. Settlement is final and irrevocable at the moment that settlement account of ordering bank is debited with the same amount that beneficiary's bank settlement account is credited in RTGS. Transactions processed through system are above KM 10 thousand, and its use for lower amounts is optional.

The GC System is an interbank clearing system (bilateral and multilateral) for transactions in the amounts lower or equal to KM 10 thousand. The settlement of net positions of participants in GC system is carried out through settlement accounts in RTGS as well as settlement of transactions of legal persons acting as clearing agents, such as card transaction operators. Participants of the system are banks licenced to perform payment operations that are RTGS participants, as well as the Central Bank. The system is adjusted to SEPA standard, i.e., ISO 20022. The clearing of payment orders of all the GC participants is carried out by defining the net position of each individual participant as a result of the settlement of all credits and debits of participants for each clearing cycle.

38. DOMESTIC PAYMENT AND SETTLEMENT SYSTEMS (CONTUNUED)**Credit risk**

Each participant in the payment systems is obliged to provide funds on its settlement account in RTGS prior to settlement of payment orders.

Pursuant to the role of the Central Bank as defined by the Law on the Central Bank, the Central Bank is not allowed to provide any credits to RTGS and GC System participants which would provide liquidity to the system in any form.

Operational risk

In order to minimize the operational risk of the smooth functioning of payment systems, Operational Rules for the RTGS and GC System have been issued, as accompanying Decisions setting minimum security standards for the functioning of the system.

Relevant security objectives, policies and procedures aim to ensure security measures and features. The systems and networks are operated according to established objectives and policies. The security objectives and policies are reviewed periodically. Each direct participant is also required to have appropriate security measures and controls for processing payments.

The Central Bank has defined the following Contingency Settlement Procedures:

- **Contingency plans and measures:** The Central Bank has defined contingency measures in order to ensure continuity of reliable, correct and lawful operation of the payment and settlement systems in the event of disruption to the regular payment and settlement system, or other contingency events.
- **Backup system in primary location and DR location:** To support the primary location for the payment systems with redundant systems (if case of system falling, switching to another one on the primary location is done), the Central Bank has also established functional DR (Disaster Recovery) system located in Main Bank in Banja Luka.

Oversight and development of payment systems

In 2022, the Central Bank has adopted regulations for the payment systems oversight. With the payment systems oversight function the Central Bank is performing payment systems monitoring, compliance evaluation of the payment systems in relation to the principles for the payment systems functioning applied by the Central Bank, as well as regulations of other relevant international institutions which regulate the requirements of the payment systems oversight. The Central Bank applies principles and responsibilities defined in "The Principles of Financial Markets Infrastructure" adopted by the Committee on Payments and Settlements systems of the BIS and the International Organization of Securities Commissions (IOSCO). Evaluation compliance activities and system monitoring promote security and efficiency of payment systems and undisturbed performance of interbank payment operations in BH providing directly support to the maintenance of financial stability in BH by the Central Bank.

Also, through development function, the Central Bank actively participates in preparation and implementation phases related to innovations in payment systems and analyses their impact on BH economy and the impact on public policy objectives of secure and efficient payment systems.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Notes to the financial statements for the year ended 31 December 2022

39. EVENTS AFTER THE REPORTING PERIOD

The Presidency of BH has not appointed new Governing Board members of the Central Bank up to date of the approval of these financial statements.

From 1 January 2023, the remuneration rate of 25 basis points is calculated and paid out for the required reserve funds generated from the domestic currency base, while the remuneration of 10 basis points is calculated and paid on required reserve funds generated from foreign currencies and domestic currency with currency clause basis by the Central Bank. The remuneration is not calculated for the amounts exceeding required reserves.

This change was implemented in order to harmonize with the ECB's policy and to mitigate the impact of the interest rate growth on the ECB deposit facility rate on the operations of banks in BH.

Except from the above mentioned, no adjusting or non-adjusting events have occurred between 31 December 2022 and the date of authorization of these financial statements.



Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ

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T01: Main Economic Indicators

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
BH Nominal GDP (in KM million)¹⁾											
Current Prices	26,223	26,779	27,359	28,929	30,265	31,803	33,942	35,785	34,727	39,107	47,309
Real GDP Annual Growth (in %)¹⁾	-0.8	2.4	1.2	3.1	3.2	3.2	3.7	2.8	-3.1	7.4	4.1
Consumer Prices Growth Rate in BH²⁾											
Average Annual growth Rate of CPI	2.1	-0.1	-0.9	-1.0	-1.1	1.2	1.4	0.6	-1.0	2.0	14.0
Annual Growth Rate of CPI for December	1.8	-1.2	-0.4	-1.3	-0.3	0.7	1.6	0.3	-1.6	6.4	14.7
General Government Sector Budget³⁾											
Revenues	43.8	42.7	43.8	43.0	42.7	42.4	42.4	42.0	41.6	41.1	-
Expenditures ⁴⁾	45.8	44.8	45.8	42.3	41.5	39.8	40.2	40.1	46.8	41.3	-
Overall Balance	-2.0	-2.2	-2.0	0.7	1.2	2.5	2.2	1.9	-5.2	-0.2	-
Money and Credit											
Broad Money (M2)	56.9	60.1	63.1	64.5	66.7	69.5	71.3	73.6	81.3	80.6	70.3
Credit to Non-government Sector	56.1	56.5	56.2	54.4	53.7	54.9	54.3	55.0	55.2	50.9	44.3
Balance of Payments											
Gross Official Reserves											
In KM million	6,509	7,068	7,826	8,606	9,531	10,557	11,623	12,597	13,868	16,348	16,066
In USD million	4,274	4,797	5,309	4,883	5,391	6,083	7,012	7,210	8,079	9,885	8,637
In Months of Imports of Goods and Services	5.3	5.8	6.1	6.7	7.2	7.1	7.3	7.8	10.0	9.3	6.9
Current Account Balance											
In KM million	-2,266	-1,425	-1,983	-1,458	-1,424	-1,520	-1,094	-927	-1,125	-923	-2,045
In USD million	-1,488	-967	-1,345	-827	-805	-876	-660	-531	-655	-558	-1,099
As a percentage of GDP	-8.6	-5.3	-7.2	-5.0	-4.7	-4.8	-3.2	-2.6	-3.2	-2.4	-4.3
Trade balance											
In KM million	-7,779	-7,099	-7,874	-7,176	-7,089	-7,417	-7,521	-7,963	-6,268	-7,170	-10,095
In USD million	-5,108	-4,817	-5,342	-4,071	-4,010	-4,274	-4,538	-4,558	-3,651	-4,335	-5,427
As a percentage of GDP	-29.7	-26.5	-28.8	-24.8	-23.4	-23.3	-22.2	-22.3	-18.0	-18.3	-21.3
External Debt of Government Sector **											
In KM million	7,212	7,563	8,442	8,691	8,871	8,147	8,198	8,140	8,726	9,435	9,257
In USD million	4,861	5,330	5,249	4,855	4,781	4,995	4,790	4,657	5,479	5,468	5,048
As a percentage of GDP	27.5	28.2	30.9	30.4	29.2	26.0	24.5	23.1	25.5	25.0	19.6
External Debt Servicing⁵⁾											
In KM million	413	685	761	581	723	983	955	794	741	773	802
In USD million	271	465	516	330	409	567	576	454	432	467	431
As a percentage of Exports of Goods and Services	4.9	7.6	8.2	5.7	6.7	7.7	6.7	5.5	6.3	4.7	3.7

Note:

1) Source: Agency for Statistics of Bosnia and Herzegovina, Gross Domestic Product by Production, Income and Expenditure approach 2021, February 2023.

*GDP for 2022 is an assessment of CBBH and it is used as preliminary data, until the announcement of the official GDP by the Agency for Statistics of BH

2) Source: Agency for Statistics of BH

3) Source: Central Bank of BH

4) Expenditures also include net acquisition of fixed assets.

5) Source: BH Ministry of Finance and Treasury.

** The data have been revised since 2009. in accordance with the report from BH Ministry of Finance and Treasury dated 26st. January 2023 and include the loan of PC Roads RS and direct debt of Brčko District.

- The data not available

T02: Gross Domestic Product of Bosnia and Herzegovina (Current Prices)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
Nominal GDP (in KM million)	26,223	26,779	27,359	28,929	30,265	31,803	33,942	35,785	34,727	39,107	47,309
Nominal GDP (in USD million)	17,221	18,173	18,561	16,413	17,118	18,325	20,478	20,481	20,230	23,646	25,433
GDP per capita (in KM)	7,420	7,584	7,759	8,223	8,620	9,076	9,709	10,251	9,994	11,326	13,753
GDP per capita (in USD)	4,873	5,147	5,264	4,665	4,876	5,230	5,857	5,867	5,822	6,848	7,393
Real GDP Annual Growth (in %)	-0.8	2.4	1.2	3.1	3.2	3.2	3.7	2.8	-3.1	7.4	4.1
Population (in thousands) ¹	3,534	3,531	3,526	3,518	3,511	3,504	3,496	3,491	3,475	3,453	3,440
Annual Average Exchange Rate of KM/USD	1.523	1.474	1.474	1.763	1.768	1.735	1.657	1.747	1.717	1.654	1.860

Source:

Agency for Statistics of Bosnia and Herzegovina, *Gross Domestic Product by Production, Income and Expenditure approach 2021*, February 2022. The data on the average annual exchange rate KM/USD, the source is the CBBH.

* GDP for 2022 is an assessment of CBBH and it is used as preliminary data, until the announcement of the official GDP by the BH Statistics Agency.

1) The estimate of the number of citizens for 2022 includes the available data on the natural growth in the end of September 2022; Source: Agency for Statistics of BH.

T03: Index of Industrial Production

Year	Month	Month/Same Month of the Previous Year			Period/Same Period of the Previous Year		
		FBH	RS	BH	FBH	RS	BH
2012	12	99.6	98.5	95.2	96.3	95.8	96.1
2013	12	107.8	104.7	107.0	105.3	104.1	105.2
2014	12	97.9	99.8	98.7	100.1	100.6	100.2
2015	12	101.7	99.5	101.7	102.2	103.0	103.1
2016	12	103.0	120.0	107.5	102.6	108.2	104.4
2017	12	101.5	97.3	99.6	103.8	101.2	103.1
2018	12	98.2	96.9	97.8	100.8	104.2	101.6
2019	12	97.4	92.4	95.5	97.3	88.1	94.7
2020	12	103.1	103.7	103.2	93.7	93.4	93.6
2021	12	107.4	106.6	107.2	109.8	109.9	109.8
2022	12	98.0	96.0	96.0	101.2	102.1	101.0
2022	01	103.2	102.7	102.7	103.2	102.7	102.7
	02	103.4	98.1	101.3	103.3	100.2	102.0
	03	106.3	107.9	106.4	104.4	103.0	103.5
	04	103.5	110.0	104.9	104.1	104.8	103.9
	05	108.1	110.3	108.2	104.9	105.9	104.7
	06	100.5	101.6	100.4	104.1	105.1	104.0
	07	98.2	99.5	98.1	103.3	104.3	103.1
	08	101.6	103.7	101.7	103.1	104.2	102.9
	09	99.4	98.3	98.5	102.6	103.6	102.4
	10	94.4	102.3	96.4	101.7	103.4	101.8
	11	99.3	97.0	98.3	101.5	102.8	101.5
	12	98.0	96.0	96.0	101.2	102.1	101.0

Source:

Agency for Statistics of BH, Institute for Statistics of the FBH and RS Institute for Statistics

Note:

Index of Industrial Production for a period / the same period of the previous year for December represents a yearly index in comparison with the previous year.

T04: Consumer Price Index for BH (CPI)

Year	Month	Month/Previous Month of the Current Year	Month/Same Month of the Previous Year	Period/Same Period of the Previous Year
2012	12	...	101.8	102.1
2013	12	...	98.8	99.9
2014	12	...	99.6	99.1
2015	12	...	98.7	99.0
2016	12	...	99.7	98.9
2017	12	...	101.3	101.2
2018	12	...	101.6	101.4
2019	12	...	99.9	100.6
2020	12	...	98.4	99.0
2021	12	...	106.4	102.0
2022	12	...	114.7	114.0
2022	01	101.0	107.0	107.0
	02	101.5	108.1	107.5
	03	102.8	110.2	108.4
	04	102.4	113.2	109.6
	05	101.1	114.4	110.6
	06	101.4	115.8	111.5
	07	100.7	116.7	112.2
	08	100.2	116.7	112.8
	09	101.2	117.3	113.3
	10	102.1	117.4	113.7
	11	100.2	116.3	114.0
	12	99.4	114.7	114.0

Source:

Agency for Statistics of Bosnia and Herzegovina.

Note:

Price index for a period/the same period of previous year for December represents annual index in comparison to the previous year.

T05: Average Gross and Net Wages and Pensions

- in KM -

Year	Month	Gross Wages				Net Wages				Pensions		
		FBH	RS	Brčko	BH	FBH	RS	Brčko	BH	FBH	RS	Brčko
2012		1,266	1,349	1,271	1,290	830	818	819	826	351	312	311
2013		1,275	1,338	1,266	1,291	835	808	817	827	348	318	310
2014		1,272	1,334	1,265	1,183	833	825	814	830	367	333	323
2015		1,269	1,339	1,275	1,289	830	831	821	830	368	343	327
2016		1,283	1,343	1,290	1,301	839	836	830	838	370	342	326
2017		1,318	1,331	1,304	1,321	860	831	838	851	372	344	326
2018		1,365	1,357	1,363	1,363	888	857	872	879	395	361	342
2019		1,420	1,407	1,426	1,421	923	906	915	921	415	378	357
2020		1,474	1,485	1,477	1,476	956	956	948	956	423	394	367
2021		1,542	1,546	1,486	1,542	996	1,004	959	997	428	408	375
2022		1,724	1,729	1,600	1,722	1,114	1,143	1,051	1,122	461	460	412
2022	01	1,614	1,591	1,525	1,605	1,045	1,042	990	1,043	426	431	385
	02	1,614	1,647	1,532	1,622	1,046	1,091	994	1,059	426	431	384
	03	1,694	1,642	1,551	1,674	1,096	1,091	1,007	1,092	429	431	384
	04	1,667	1,649	1,559	1,658	1,080	1,094	1,011	1,083	459	432	395
	05	1,714	1,667	1,576	1,696	1,110	1,105	1,023	1,106	459	475	418
	06	1,723	1,749	1,586	1,728	1,115	1,157	1,031	1,126	475	475	423
	07	1,735	1,753	1,673	1,739	1,122	1,160	1,096	1,134	474	475	423
	08	1,761	1,762	1,615	1,757	1,138	1,166	1,067	1,145	474	475	424
	09	1,766	1,798	1,620	1,773	1,140	1,189	1,080	1,154	474	475	424
	10	1,766	1,815	1,657	1,779	1,139	1,198	1,104	1,156	473	475	424
	11	1,800	1,835	1,649	1,807	1,161	1,211	1,100	1,175	483	475	429
	12	1,831	1,843	1,661	1,831	1,180	1,217	1,111	1,190	483	475	428

Source:

Agency for Statistics of BH, Institute for Statistics of the FBH and RS Institute of Statistics, Statistical Office Brčko District

Note:

Since 1 January 2006, gross and net wages for BH level include Brčko District

T06: Monetary Aggregates

- end of period, in KM million -

Year	Month	Currency outside Monetary Authorities	Bank Deposits with Monetary Authorities	Transf. Dep. of other Resident Sectors with Monetary Authorities	Cash Outside Banks	Transf. Deposits in Domestic Currency	Other Deposits in Domestic Currency	Transf. Deposits in Foreign Currency	Other Deposits in Foreign Currency	Reserve Money	M1	QM	M2
1	2	3	4	5	6	7	8	9	10	11=3+4+5	12=6+7	13=8+9+10	14=12+13
2012	12	2,747.5	3,040.6	13.5	2,414.3	3,728.4	2,672.7	1,052.9	5,041.4	5,801.7	6,142.7	8,767.0	14,909.7
2013	12	2,909.9	3,475.3	15.9	2,542.3	4,153.3	3,006.3	1,189.3	5,202.4	6,401.0	6,695.6	9,398.0	16,093.6
2014	12	3,210.5	3,751.1	38.3	2,814.0	4,496.4	3,377.3	1,301.2	5,280.0	6,999.9	7,310.4	9,958.5	17,268.9
2015	12	3,499.5	4,063.5	51.7	3,055.3	5,125.6	3,562.6	1,360.4	5,543.3	7,614.7	8,180.9	10,466.3	18,647.2
2016	12	4,066.8	4,269.1	52.0	3,401.2	5,899.8	3,883.0	1,535.6	5,478.0	8,387.9	9,301.0	10,896.6	20,197.6
2017	12	4,319.4	5,033.1	76.1	3,648.1	6,924.4	4,091.6	1,816.2	5,636.1	9,428.5	10,572.5	11,543.8	22,116.3
2018	12	4,750.6	5,523.3	125.5	3,977.2	8,166.4	4,302.2	1,961.5	5,782.3	10,399.4	12,143.7	12,046.0	24,189.6
2019	12	5,199.9	5,743.6	176.6	4,330.1	8,921.1	2,998.0	2,490.3	7,593.2	11,120.2	13,251.2	13,081.5	26,332.7
2020	12	6,172.5	5,901.1	231.8	5,043.4	10,011.8	3,034.7	2,902.5	7,256.6	12,305.4	15,055.2	13,193.8	28,249.0
2021	12	6,923.8	7,219.6	304.9	5,540.0	12,387.6	3,044.2	3,300.1	7,243.8	14,448.3	17,927.5	13,588.1	31,515.6
2022	12	7,436.1	7,217.4	272.7	6,126.2	13,752.5	2,878.7	3,583.9	6,898.8	14,926.2	19,878.6	13,361.3	33,240.0
2022	01	6,934.0	7,332.4	319.3	5,481.5	12,385.1	3,116.4	3,454.2	7,172.5	14,585.7	17,866.6	13,743.1	31,609.7
	02	7,062.7	7,103.0	317.8	5,678.1	12,238.7	3,042.3	3,401.9	7,107.6	14,483.5	17,916.8	13,551.7	31,468.5
	03	7,333.7	6,496.1	327.4	5,855.3	11,970.2	2,872.3	3,344.2	6,881.7	14,157.2	17,825.4	13,098.3	30,923.7
	04	7,295.2	6,591.7	345.3	5,938.2	12,059.1	2,936.3	3,228.0	6,885.0	14,232.1	17,997.3	13,049.3	31,046.6
	05	7,270.0	6,594.8	355.0	5,854.6	12,363.9	2,857.4	3,320.8	6,965.5	14,219.8	18,218.5	13,143.8	31,362.3
	06	7,222.0	6,828.7	317.4	5,855.3	12,552.3	2,907.4	3,201.8	6,992.5	14,368.1	18,407.7	13,101.8	31,509.4
	07	7,397.4	6,897.0	334.5	6,070.9	12,722.1	2,938.5	3,276.7	7,029.4	14,628.8	18,793.0	13,244.6	32,037.5
	08	7,455.2	7,167.2	333.2	6,063.6	13,183.7	2,922.7	3,384.0	6,995.2	14,955.6	19,247.3	13,301.8	32,549.1
	09	7,444.2	7,272.0	296.5	6,081.0	13,342.3	2,897.7	3,456.7	6,938.4	15,012.7	19,423.3	13,292.8	32,716.2
	10	7,435.2	6,988.8	311.5	6,025.5	13,306.3	2,948.7	3,620.2	6,912.5	14,735.5	19,331.8	13,481.4	32,813.1
	11	7,349.3	6,930.4	291.0	5,957.1	13,437.2	2,923.9	3,603.8	6,899.9	14,570.7	19,394.3	13,427.5	32,821.8
	12	7,436.1	7,217.4	272.7	6,126.2	13,752.5	2,878.7	3,583.9	6,898.8	14,926.2	19,878.6	13,361.3	33,240.0

Note:

The cash outside monetary authorities is taken from the CBBH Balance Sheet and it consists of cash outside the Central Bank (monetary authorities). Deposits of commercial banks are commercial banks' funds in the accounts with the CBBH. Transferable deposits of other domestic sectors with monetary authorities are deposits of other domestic sectors (except for the central government deposits). The central government consists of BH institutions, Entity governments, Entities' social security funds and those of Brčko District. Social security funds on Entity level (from Federation of BH: Pension Fund of FBH, Health Care Fund of FBH, Employment Fund of FBH, and from Republika Srpska: Pension and Disability Insurance Fund of RS, Health Care Fund of RS, Employment Fund of RS and Fund for Child Protection of RS) are classified at the central government level. The cash outside banks is taken from the CBBH Balance Sheet (Table 08) and consists of cash in circulation out of the Central Bank (monetary authorities), as well as cash outside the commercial banks. Transferable deposits in the domestic currency are taken from the Monetary Survey (Table 07). They consist of deposits of non-central government (deposits of cantons and municipalities), deposits of public and private enterprises, of other financial institutions and deposits of other domestic sectors (households, non-profit institutions and other non-classified sectors). Other deposits in the domestic currency, transferable and other deposits in foreign currency are taken over from the Monetary Survey (Table 07). They consist of deposits of non central government (deposits of cantons and municipalities), deposits of public and private enterprises, other financial institutions and deposits of other domestic sectors (households, non-profit institutions and other non-classified sectors). Reserve money (primary money or monetary base) is taken entirely from the CBBH Balance Sheet (Table 08). It consists of cash outside the monetary authorities, deposits of commercial banks and deposits of other domestic sectors (except for deposits of the central government) with the monetary authorities. According to the national definition, money supply comprises all transferable and other deposits of domestic nonbank and nongovernment sectors, as well as, sectors of local government in domestic and foreign currency. Deposits of Entities' social security funds are included in those of the central government on Entity level and by that they are excluded from the Money Supply or Monetary Aggregates. Monetary aggregate M1 comprises cash outside banks and transferable deposits in domestic currency of all domestic sectors (except for deposits of the central government). Monetary aggregate QM is defined in the same way as the corresponding item in the Monetary Survey (Table 07). It consists of other deposits in domestic currency, transferable and other deposits in a foreign currency of all domestic sectors (except for deposits of the central government). Money supply M2 comprises monetary aggregates, M1 and QM.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 188.

T07: Monetary Survey

- end of period, in KM million -

ASSETS												
Foreign Assets (Net)					Claims on Domestic Sectors							Total
Year	Month	Foreign Assets	Foreign Liabilities		Claims on Central Government (Net)	Claims on Cantons and Municipalities	Claims on Public Non-financial Enterprises	Claims on Private Non-financial Enterprises	Claims on Other Financial Institutions	Claims on Other Domestic Sectors		
1	2	3	4	5 = 3+4	6	7	8	9	10	11	12 = 6+...+11	13 = 5+12
2012	12	9,044.2	-3,559.7	5,484.4	-182.6	386.3	390.9	7,473.1	73.7	6,874.4	15,015.8	20,500.2
2013	12	9,733.5	-3,330.9	6,402.6	-19.1	422.5	451.6	7,556.4	67.4	7,133.6	15,612.5	22,015.1
2014	12	10,479.7	-2,961.1	7,518.6	71.0	509.1	443.6	7,452.0	61.3	7,502.5	16,039.4	23,557.9
2015	12	11,107.9	-2,614.6	8,493.3	160.1	537.2	400.0	7,452.6	74.6	7,875.3	16,499.8	24,993.1
2016	12	12,199.0	-2,476.4	9,722.6	101.8	517.8	375.6	7,743.9	67.2	8,155.8	16,962.0	26,684.6
2017	12	13,372.4	-2,589.5	10,782.9	-148.7	511.5	406.2	8,354.5	96.5	8,689.3	17,909.4	28,692.2
2018	12	15,505.5	-3,041.0	12,464.5	-461.2	496.5	428.0	8,655.0	136.8	9,315.0	18,570.1	31,034.5
2019	12	17,069.9	-3,120.0	13,949.9	-679.3	506.7	509.3	9,070.9	152.2	10,024.9	19,584.7	33,534.6
2020	12	18,340.2	-2,326.3	16,013.9	-236.3	538.1	540.8	8,618.1	155.0	9,937.9	19,553.6	35,567.5
2021	12	21,065.4	-1,949.0	19,116.3	-804.4	583.5	532.3	8,812.6	164.1	10,478.3	19,766.3	38,882.7
2022	12	21,084.4	-1,813.4	19,271.1	-509.1	592.0	652.8	9,197.6	180.2	11,027.6	21,141.1	40,412.2
2022	01	21,119.7	-1,859.7	19,260.0	-770.8	571.0	528.4	8,731.5	160.2	10,439.3	19,659.8	38,919.8
	02	20,849.0	-1,851.6	18,997.4	-763.2	566.4	535.2	8,818.1	160.0	10,481.7	19,798.3	38,795.7
	03	20,159.7	-1,853.4	18,306.3	-766.5	552.7	526.6	8,961.7	161.4	10,564.4	20,000.1	38,306.4
	04	20,060.9	-1,779.0	18,281.9	-759.7	545.2	528.3	9,070.9	165.3	10,636.1	20,186.0	38,467.9
	05	20,257.9	-1,799.0	18,458.9	-977.7	540.4	526.3	9,148.5	168.3	10,726.6	20,132.4	38,591.2
	06	20,201.4	-1,877.8	18,323.6	-914.7	538.5	508.8	9,223.4	177.1	10,810.9	20,344.0	38,667.6
	07	20,681.6	-1,826.8	18,854.8	-878.5	538.8	526.3	9,213.8	165.6	10,880.9	20,446.9	39,301.7
	08	21,047.7	-1,801.4	19,246.3	-867.3	583.0	551.8	9,161.1	163.9	10,903.0	20,495.5	39,741.8
	09	21,034.8	-1,763.2	19,271.6	-781.2	585.5	558.7	9,135.9	174.2	10,948.8	20,621.9	39,893.5
	10	21,267.4	-1,753.7	19,513.6	-827.1	583.9	596.0	9,165.9	169.0	10,988.8	20,676.4	40,190.1
	11	20,858.5	-1,822.5	19,036.1	-372.3	589.2	604.5	9,174.9	161.8	10,998.7	21,156.8	40,192.9
	12	21,084.4	-1,813.4	19,271.1	-509.1	592.0	652.8	9,197.6	180.2	11,027.6	21,141.1	40,412.2

Note:

The monetary survey presents the consolidated data from the Balance Sheet of the CBBH - monetary authorities (table 08) and the consolidated balance sheet of commercial banks of Bosnia and Herzegovina (table 09). Foreign assets (net) represent the difference between total CBBH foreign assets - the monetary authorities and commercial banks and CBBH total foreign liabilities - the monetary authorities and commercial banks of BH. Claims on domestic sectors represent commercial banks' claims on all domestic sectors, but it should be noted that claims on central government are presented in net amounts, i.e. they are reduced by the deposits of central government with the CBBH and with BH commercial banks. The central government consists of BH institutions, Entities' governments, Entities' social security funds and those of Brčko District. According to new methodology, social security funds are classified on the central government level as the Entities' off-budget funds, which has a direct impact on data about net claims on the central government in Monetary Survey.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

T07: Monetary Survey

- end of period, in KM million -

		LIABILITIES													
		Broad money (M2)													
		Money (M1)				Quasi money (QM)									
Year	Month	Cash Outside Banks	Transferable Deposits in Dom. Curr.			Transferable Deposits in Foreign Curr.	Other Deposits in Dom. Curr.	Other Deposits in Foreign Curr.			Securities	Loans	Shares and Other Equity	Other Items (net)	Total
1	2	3	4	5=3+4	6	7	8	9=6+7+8	10=5+9	11	12	13	14	15=10+...+14	
2012	12	2,414.3	3,728.4	6,142.7	1,052.9	2,672.7	5,041.4	8,767.0	14,909.7	0.0	712.4	3,767.1	1,111.1	20,500.2	
2013	12	2,542.3	4,153.3	6,695.6	1,189.3	3,006.3	5,202.4	9,398.0	16,093.6	0.0	707.9	3,815.2	1,398.4	22,015.1	
2014	12	2,814.0	4,496.4	7,310.4	1,301.2	3,377.3	5,280.0	9,958.5	17,268.9	0.0	681.0	3,993.5	1,614.5	23,557.9	
2015	12	3,055.3	5,125.6	8,180.9	1,360.4	3,562.6	5,543.3	10,466.3	18,647.2	8.0	599.2	4,148.0	1,590.7	24,993.1	
2016	12	3,401.2	5,899.8	9,301.0	1,535.6	3,883.0	5,478.0	10,896.6	20,197.6	8.0	510.0	4,440.4	1,528.6	26,684.6	
2017	12	3,648.1	6,924.4	10,572.5	1,816.2	4,091.6	5,636.1	11,543.8	22,116.3	8.0	460.0	4,659.5	1,448.4	28,692.2	
2018	12	3,977.2	8,166.4	12,143.7	1,961.5	4,302.2	5,782.3	12,046.0	24,189.6	8.0	467.5	4,867.2	1,502.3	31,034.5	
2019	12	4,330.1	8,921.1	13,251.2	2,490.3	2,998.0	7,593.2	13,081.5	26,332.7	8.0	532.4	5,224.6	1,436.9	33,534.6	
2020	12	5,043.4	10,011.8	15,055.2	2,902.5	3,034.7	7,256.6	13,193.8	28,249.0	0.0	606.7	5,307.8	1,404.0	35,567.5	
2021	12	5,540.0	12,387.6	17,927.5	3,300.1	3,044.2	7,243.8	13,588.1	31,515.6	0.0	638.5	5,287.3	1,441.4	38,882.7	
2022	12	6,126.2	13,752.5	19,878.6	3,583.9	2,878.7	6,898.8	13,361.3	33,240.0	0.0	622.8	5,208.0	1,341.4	40,412.2	
2022	01	5,481.5	12,385.1	17,866.6	3,454.2	3,116.4	7,172.5	13,743.1	31,609.7	0.0	625.7	5,274.0	1,410.4	38,919.8	
	02	5,678.1	12,238.7	17,916.8	3,401.9	3,042.3	7,107.6	13,551.7	31,468.5	0.0	628.9	5,278.7	1,419.6	38,795.7	
	03	5,855.3	11,970.2	17,825.4	3,344.2	2,872.3	6,881.7	13,098.3	30,923.7	0.0	623.1	5,223.3	1,536.3	38,306.4	
	04	5,938.2	12,059.1	17,997.3	3,228.0	2,936.3	6,885.0	13,049.3	31,046.6	0.0	634.1	5,192.6	1,594.6	38,467.9	
	05	5,854.6	12,363.9	18,218.5	3,320.8	2,857.4	6,965.5	13,143.8	31,362.3	0.0	628.6	5,185.9	1,414.5	38,591.2	
	06	5,855.3	12,552.3	18,407.7	3,201.8	2,907.4	6,992.5	13,101.8	31,509.4	0.0	636.1	5,172.0	1,350.1	38,667.6	
	07	6,070.9	12,722.1	18,793.0	3,276.7	2,938.5	7,029.4	13,244.6	32,037.5	0.0	636.5	5,280.7	1,347.0	39,301.7	
	08	6,063.6	13,183.7	19,247.3	3,384.0	2,922.7	6,995.2	13,301.8	32,549.1	0.0	630.7	5,247.0	1,315.0	39,741.8	
	09	6,081.0	13,342.3	19,423.3	3,456.7	2,897.7	6,938.4	13,292.8	32,716.2	0.0	627.6	5,206.2	1,343.5	39,893.5	
	10	6,025.5	13,306.3	19,331.8	3,620.2	2,948.7	6,912.5	13,481.4	32,813.1	0.0	625.8	5,266.4	1,484.8	40,190.1	
	11	5,957.1	13,437.2	19,394.3	3,603.8	2,923.9	6,899.9	13,427.5	32,821.8	0.0	621.2	5,375.2	1,374.7	40,192.9	
	12	6,126.2	13,752.5	19,878.6	3,583.9	2,878.7	6,898.8	13,361.3	33,240.0	0.0	622.8	5,208.0	1,341.4	40,412.2	

Note:

Money M1 includes cash outside banks, transferable deposits in the domestic currency of all domestic sectors (except the deposits of the central government). Quasi money QM comprises other deposits in the domestic currency, transferable and other deposits in foreign currency of all domestic sectors (except the deposits of the central government). Money supply M2 includes monetary aggregates, money M1 and quasi money QM. Other liabilities include securities, loans, shares and other equity and other items (net). According to a new methodology, as separate financial instruments on the side of liabilities, loans (with which the calculated interest is added) are presented, along with shares and other equity. Other items (net) are unallocated items of liabilities reduced by the unallocated items of assets. Other items (net) also include restricted deposits, counter-items of funds and government lending funds.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

T08: Balance Sheet of the CBBH

- end of period, in KM million -

Year	Month	ASSETS			LIABILITIES								
		Foreign Assets	Claims on Domestic Sectors	Total	Reserve Money				Foreign Liabilities	Deposits of Central Government	Shares and Other Equity	Other Items (Net)	Total
					Cash outside Monetary Authorities	Deposits of Commercial Banks with Monetary Authorities	Deposits of Other Domestic Sectors with Monetary Authorities						
1	2	3	4	5=3+4	6	7	8	9=6+7+8	10	11	12	13	14=9+...+13
2012	12	6,536.4	1.6	6,538.0	2,747.5	3,040.6	13.5	5,801.7	1.2	185.3	575.7	-25.9	6,538.0
2013	12	7,096.2	1.7	7,097.8	2,909.9	3,475.3	15.9	6,401.0	1.0	258.2	466.3	-28.7	7,097.8
2014	12	7,853.4	1.6	7,855.1	3,210.5	3,751.1	38.3	6,999.9	1.1	293.2	585.0	-24.2	7,855.1
2015	12	8,634.1	1.5	8,635.7	3,499.5	4,063.5	51.7	7,614.7	1.3	449.9	593.7	-24.0	8,635.7
2016	12	9,559.0	1.5	9,560.4	4,066.8	4,269.1	52.0	8,387.9	2.2	538.4	667.4	-35.5	9,560.4
2017	12	10,584.4	2.2	10,586.6	4,319.4	5,033.1	76.1	9,428.5	1.6	548.6	652.6	-44.8	10,586.6
2018	12	11,651.0	2.1	11,653.1	4,750.6	5,523.3	125.5	10,399.4	1.8	583.9	720.0	-51.9	11,653.1
2019	12	12,624.9	2.2	12,627.1	5,199.9	5,743.6	176.6	11,120.2	1.7	704.0	856.5	-55.4	12,627.1
2020	12	13,895.8	2.0	13,897.9	6,172.5	5,901.1	231.8	12,305.4	1.7	665.2	982.3	-56.8	13,897.9
2021	12	16,376.0	2.6	16,378.5	6,923.8	7,219.6	304.9	14,448.3	2.3	1,124.7	861.4	-58.3	16,378.5
2022	12	16,093.7	2.8	16,096.5	7,436.1	7,217.4	272.7	14,926.2	2.6	685.5	545.4	-63.3	16,096.5
2022	01	16,470.3	1.5	16,471.8	6,934.0	7,332.4	319.3	14,585.7	2.6	1,129.5	817.2	-63.3	16,471.8
	02	16,368.0	1.9	16,369.9	7,062.7	7,103.0	317.8	14,483.5	2.7	1,135.9	810.0	-62.1	16,369.9
	03	15,983.2	3.2	15,986.4	7,333.7	6,496.1	327.4	14,157.2	3.0	1,149.0	738.9	-61.7	15,986.4
	04	15,982.9	1.7	15,984.6	7,295.2	6,591.7	345.3	14,232.1	2.9	1,122.7	689.5	-62.5	15,984.6
	05	15,997.7	2.1	15,999.8	7,270.0	6,594.8	355.0	14,219.8	2.5	1,187.5	650.8	-60.9	15,999.8
	06	15,925.3	2.4	15,927.7	7,222.0	6,828.7	317.4	14,368.1	2.4	993.0	624.2	-59.9	15,927.7
	07	16,293.7	1.8	16,295.5	7,397.4	6,897.0	334.5	14,628.8	2.8	1,053.9	669.9	-59.9	16,295.5
	08	16,548.4	2.1	16,550.5	7,455.2	7,167.2	333.2	14,955.6	2.5	1,052.8	598.6	-59.1	16,550.5
	09	16,546.9	2.4	16,549.2	7,444.2	7,272.0	296.5	15,012.7	2.5	1,055.0	538.7	-59.7	16,549.2
	10	16,287.6	1.7	16,289.3	7,435.2	6,988.8	311.5	14,735.5	2.5	1,075.6	535.6	-59.8	16,289.3
	11	15,934.6	2.0	15,936.6	7,349.3	6,930.4	291.0	14,570.7	2.4	871.3	554.3	-62.1	15,936.6
	12	16,093.7	2.8	16,096.5	7,436.1	7,217.4	272.7	14,926.2	2.6	685.5	545.4	-63.3	16,096.5

Note:

The CBBH (monetary authorities) foreign assets comprise gold, foreign currency in the CBBH vault, foreign currency deposits with foreign banks, SDR holdings, foreign securities and other. Claims on domestic sectors consist of claims on employees of the CBBH for the extended long-term loans and claims on commercial banks on the basis of settlement accounts.

Reserve money (primary money or monetary base) is comprised of cash outside monetary authorities, deposits of commercial banks and deposits of other domestic sectors (except for the central government) with monetary authorities. Cash outside banks represents cash in circulation outside the Central Bank (monetary authorities) and cash outside commercial banks. The CBBH foreign liabilities are comprised of short-term liabilities towards non-residents, deposits of non-residents and other short-term liabilities towards non-residents and liabilities towards the IMF (Accounts 1 and 2).

Deposits of central government with the CBBH are transferable and other deposits of BH Institutions, Entity Governments, Entity Social Security Funds and those of Brčko District in the local currency. Shares and other equity comprise the equity, current year result, general and special reserves and adjustment/revaluation. Other items (net) are unallocated items of liabilities reduced by the unallocated items of assets.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

T09: Consolidated Balance Sheet of Commercial Banks in BH

- end of period, in KM million -

Year	Month	ASSETS							
		Reserves	Foreign Assets	Claims on General Government	Claims on Public Non-financial Enterprises	Claims on Private Non-financial Enterprises	Claims on Other Financial Institutions	Claims on Other Domestic Sectors	Total
1	2	3	4	5	6	7	8	9	10 = 3+...+9
2012	12	3,370.4	2,507.8	1,236.2	390.9	7,473.1	73.7	6,873.3	21,925.4
2013	12	3,843.7	2,637.3	1,379.4	451.6	7,556.4	67.4	7,131.8	23,067.7
2014	12	4,115.0	2,626.3	1,854.5	443.6	7,452.0	61.3	7,501.7	24,054.3
2015	12	4,511.7	2,473.8	2,161.1	400.0	7,452.6	74.6	7,874.7	24,948.5
2016	12	4,936.6	2,640.0	2,179.1	375.6	7,743.9	67.2	8,155.4	26,097.7
2017	12	5,711.7	2,787.9	2,197.0	406.2	8,354.5	96.5	8,688.8	28,242.7
2018	12	6,298.3	3,854.5	2,285.0	428.0	8,655.0	136.8	9,314.6	30,972.1
2019	12	6,627.0	4,445.0	2,551.9	509.3	9,070.9	152.2	10,024.5	33,380.9
2020	12	7,099.6	4,444.3	3,015.4	540.8	8,618.1	155.0	9,937.6	33,810.8
2021	12	8,608.0	4,689.4	3,095.4	532.3	8,812.6	164.1	10,478.0	36,379.7
2022	12	8,541.6	4,990.8	3,171.7	652.8	9,197.6	180.2	11,027.3	37,761.9
2022	01	8,789.2	4,649.4	3,080.3	528.4	8,731.5	160.2	10,439.3	36,378.3
	02	8,490.6	4,481.0	3,078.3	535.2	8,818.1	160.0	10,481.5	36,044.9
	03	7,978.5	4,176.5	3,042.8	526.6	8,961.7	161.4	10,564.1	35,411.6
	04	7,951.4	4,078.0	3,051.3	528.3	9,070.9	165.3	10,636.0	35,481.2
	05	8,015.1	4,260.2	3,047.8	526.3	9,148.5	168.3	10,726.3	35,892.5
	06	8,198.9	4,276.2	3,095.4	508.8	9,223.4	177.1	10,810.6	36,290.2
	07	8,229.5	4,387.9	3,186.0	526.3	9,213.8	165.6	10,880.8	36,590.0
	08	8,566.0	4,499.3	3,240.1	551.8	9,161.1	163.9	10,902.8	37,084.9
	09	8,641.3	4,487.9	3,251.2	558.7	9,135.9	174.2	10,948.5	37,197.7
	10	8,404.3	4,979.8	3,279.3	596.0	9,165.9	169.0	10,988.7	37,582.9
	11	8,324.4	4,923.9	3,261.9	604.5	9,174.9	161.8	10,998.5	37,450.0
	12	8,541.6	4,990.8	3,171.7	652.8	9,197.6	180.2	11,027.3	37,761.9

Note:

Consolidated balance sheet of commercial banks includes consolidated balance sheets of commercial banks covered by Main Unit Sarajevo, Main Unit Mostar, Main Bank RS, Brčko District (from July 2001 until November 2002), NBRB (until December 1998) and the NBBH (until November 2002). Mutual claims and liabilities among the commercial banks have been consolidated. Banks' reserves consist of cash in the banks' vaults and banks' deposits with the CBBH.

Foreign assets of commercial banks include: foreign currency in the vaults, transferable and other deposits in foreign currency with nonresidents, loans to nonresidents, securities of non-residents in foreign currency, and other claims on non-residents. Claims on general government include claims on all levels of government: the central government (BH Institutions, Entities' Governments, Entity Social Security Funds and those of Brčko District) and non-central governments (canton and municipality governments). Claims on other domestic sectors include: claims on public non-financial enterprises, private non-financial enterprises, other financial institutions and claims on other domestic sectors (households, non-profit institutions and other non-classified sectors).

Balance sheets of commercial banks of Federation of BH in addition to active sub-balance sheets includes data from passive sub-balance sheets as well. Passive sub-balance sheets include liabilities arising from foreign loans as well as liabilities arising from frozen foreign currency savings deposits of citizens until 31 March 1992. These liabilities will be taken over, in the process of privatisation, by Ministry of Finance of BH Federation in accordance with the Entity Law on Opening Balance Sheets of Enterprises and Banks and Entity Law on Privatisation.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 188.

T09: Consolidated Balance Sheet of Commercial Banks in BH

- end of period, in KM million -

		LIABILITIES										
Year	Month	Deposits of Central Government	Transf. Dep. of Other Domestic Sectors in Dom. Curr.	Transf. Dep. of Other Domestic Sectors in For. Curr.	Other Dep. of Other Domestic Sectors in Dom. Curr.	Other Dep. of Other Domestic Sectors in For. Curr.	Securities	Loans	Foreign Liabilities	Shares and Other Equity	Other Items (Net)	Total
1	2	3	4	5	6	7	8	9	10	11	12	13=3+...+12
2012	12	3,370.4	2,507.8	1,236.2	390.9	7,473.1	73.7	6,873.3	21,925.4	3,191.3	1,134.1	21,925.4
2013	12	3,843.7	2,637.3	1,379.4	451.6	7,556.4	67.4	7,131.8	23,067.7	3,348.9	1,427.8	23,067.7
2014	12	981.3	4,458.2	1,301.2	3,377.3	5,280.0	0.0	681.0	2,960.0	3,408.5	1,606.8	24,054.3
2015	12	1,014.1	5,073.9	1,360.4	3,562.6	5,543.3	8.0	599.2	2,613.3	3,554.3	1,619.5	24,948.5
2016	12	1,021.3	5,847.8	1,535.6	3,883.0	5,478.0	8.0	510.0	2,474.2	3,773.0	1,566.9	26,097.7
2017	12	1,285.6	6,848.3	1,816.2	4,091.6	5,636.1	8.0	460.0	2,587.9	4,006.8	1,502.2	28,242.7
2018	12	1,665.9	8,040.9	1,961.5	4,302.2	5,782.3	8.0	467.5	3,039.2	4,147.2	1,557.4	30,972.1
2019	12	2,020.5	8,744.5	2,490.3	2,998.0	7,593.2	8.0	532.4	3,118.3	4,368.0	1,507.7	33,380.9
2020	12	2,048.4	9,780.0	2,902.5	3,034.7	7,256.6	0.0	606.7	2,324.6	4,325.4	1,531.8	33,810.8
2021	12	2,191.8	12,082.7	3,300.1	3,044.2	7,243.8	0.0	638.5	1,946.7	4,425.8	1,506.2	36,379.7
2022	12	2,403.2	13,479.7	3,583.9	2,878.7	6,898.8	0.0	622.8	1,810.8	4,662.6	1,421.5	37,761.9
2022	01	2,150.7	12,065.8	3,454.2	3,116.4	7,172.5	0.0	625.7	1,857.1	4,456.8	1,479.2	36,378.3
	02	2,139.3	11,920.9	3,401.9	3,042.3	7,107.6	0.0	628.9	1,849.0	4,468.7	1,486.3	36,044.9
	03	2,107.8	11,642.8	3,344.2	2,872.3	6,881.7	0.0	623.1	1,850.4	4,484.4	1,604.8	35,411.6
	04	2,143.2	11,713.8	3,228.0	2,936.3	6,885.0	0.0	634.1	1,776.2	4,503.1	1,661.4	35,481.2
	05	2,297.7	12,008.9	3,320.8	2,857.4	6,965.5	0.0	628.6	1,796.5	4,535.1	1,482.0	35,892.5
	06	2,478.7	12,234.9	3,201.8	2,907.4	6,992.5	0.0	636.1	1,875.4	4,547.8	1,415.5	36,290.2
	07	2,471.9	12,387.6	3,276.7	2,938.5	7,029.4	0.0	636.5	1,824.1	4,610.8	1,414.6	36,590.0
	08	2,471.5	12,850.5	3,384.0	2,922.7	6,995.2	0.0	630.7	1,798.8	4,648.4	1,383.1	37,084.9
	09	2,392.0	13,045.8	3,456.7	2,897.7	6,938.4	0.0	627.6	1,760.6	4,667.5	1,411.4	37,197.7
	10	2,447.0	12,994.8	3,620.2	2,948.7	6,912.5	0.0	625.8	1,751.2	4,730.8	1,552.0	37,582.9
	11	2,173.8	13,146.2	3,603.8	2,923.9	6,899.9	0.0	621.2	1,820.0	4,820.9	1,440.4	37,450.0
	12	2,403.2	13,479.7	3,583.9	2,878.7	6,898.8	0.0	622.8	1,810.8	4,662.6	1,421.5	37,761.9

Note:

Central government deposits include transferable and other deposits in the local and foreign currency of BH Institutions, Entity Governments, Entity Social Security Funds and those of Brčko District. Transferable and other deposits of other domestic sectors in domestic and foreign currency represent banks liabilities towards non-central government (canton and municipality governments), public non financial enterprises, private non financial enterprises, other financial institutions and other domestic sectors (households, nonprofit institutions and other non-classified sectors).

Foreign liabilities of commercial banks include banks liabilities to nonresidents based on transferable and other deposits, loans, securities, trade loans and advance payments and other accounts payable. According to a new methodology, loans are presented in liabilities as a separate financial instrument, with which the calculated interest is added.

Shares and other equity comprises equity, retained earnings, current year result, general and special reserves and adjustment/revaluation. Other items (net) are unallocated items of liabilities reduced by the unallocated items of assets. Restricted deposits are also included in other items (net).

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 188.

T10: Interest Rates on Loans to Households**- percentages per annum -**

Year	Period	Households															
		Loans in KM				Loans in KM Indexed to Foreign Currency								Revolving Loans, Overdrafts and Credit Cards* (Loan Facility) *			
		For Housing Purchases		For other Purposes		For Housing Purchases		For other Purposes		Loans in KM		Loans in KM Indexed to Foreign Currency		Overdrafts		Credit Card with Extended Credit	
		Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Over 10 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Over 10 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Overdrafts	Credit Card with Extended Credit	Overdrafts
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Weighted monthly averages																	
2016	12	4.921	5.708	4.456	5.397	6.986	6.214	5.156	5.981	5.330	5.277	7.584	6.714	6.450	12.346	14.688	11.680
2017	12	3.844	3.319	...	...	5.944	6.261	4.327	4.240	4.617	4.705	6.384	5.992	6.364	12.253	4.668	11.191
2018	12	3.454	...	...	...	5.479	5.262	3.637	3.166	3.820	4.022	6.632	5.616	5.469	12.202	14.619	10.880
2019	12	3.877	4.168	3.395	5.279	5.863	5.580	3.502	3.353	3.826	3.875	6.152	5.637	5.668	12.042	14.674	10.467
2020	12	3.643	...	...	3.676	5.885	5.845	3.671	4.582	3.902	3.835	5.864	5.678	6.380	11.936	13.606	9.815
2021	12	3.095	2.861	3.244	4.054	5.377	5.164	3.338	4.570	3.868	3.743	5.375	4.822	5.415	11.773	13.965	9.157
2022	12	3.903	3.454	3.474	3.596	5.943	5.322	4.384	...	3.811	3.696	5.673	4.842	5.200	11.993	14.129	8.119
2022	01	3.133	...	3.198	3.320	5.077	5.257	3.124	...	3.960	3.819	5.471	5.113	5.602	11.840	13.933	9.088
	02	2.958	...	3.087	3.670	5.287	5.164	3.206	...	3.837	3.445	5.332	5.192	5.566	11.815	13.947	8.822
	03	2.924	3.112	3.018	3.066	5.124	5.120	3.519	...	3.891	3.523	5.125	4.987	5.415	11.857	13.989	8.959
	04	3.001	2.841	3.078	2.956	5.201	5.177	3.275	...	3.816	3.453	5.101	5.202	5.205	11.850	13.987	8.932
	05	2.935	3.204	3.111	3.607	5.254	5.026	3.515	...	3.542	3.794	5.112	4.560	5.093	11.855	13.957	8.913
	06	3.090	3.676	3.150	3.658	5.812	5.094	3.686	...	3.404	3.518	5.004	4.203	5.031	11.873	13.978	8.817
	07	3.306	3.981	3.252	3.548	5.500	5.109	3.541	...	3.548	3.777	4.911	4.420	5.248	11.864	13.952	8.736
	08	3.221	3.863	3.208	3.777	5.674	5.333	3.845	...	3.693	3.599	4.868	4.722	5.292	11.842	13.945	8.672
	09	3.429	3.414	3.339	3.535	5.229	5.499	4.188	...	4.033	3.621	5.113	4.927	5.171	12.692	13.992	8.548
	10	3.476	3.362	3.323	3.573	5.575	5.498	3.945	...	3.506	3.675	5.192	4.739	5.188	12.721	14.005	8.464
	11	3.696	3.457	3.320	3.778	5.656	5.517	4.237	...	3.924	3.551	5.604	4.651	5.252	12.619	14.708	8.314
	12	3.903	3.454	3.474	3.596	5.943	5.322	4.384	...	3.811	3.696	5.673	4.842	5.200	11.993	14.129	8.119
Weighted monthly averages																- in KM thousand -	
2016	12	2,046	424	1,118	1,825	55,519	23,435	10,141	961	1,275	5,159	70,540	23,133	18,529	521,185	93,033	59,127
2017	12	1,416	445	...	...	49,832	14,785	17,187	395	3,826	8,180	74,945	23,401	36,446	522,643	89,901	56,786
2018	12	2,597	...	...	...	66,009	27,336	17,610	155	3,340	9,211	47,731	10,078	27,896	526,750	85,550	55,624
2019	12	1,242	386	1,042	463	53,829	26,426	21,834	288	4,641	13,531	66,117	8,097	27,474	521,600	79,533	55,217
2020	12	3,468	...	...	532	39,970	19,333	16,057	265	3,729	5,229	38,688	7,916	19,056	547,793	112,952	48,920
2021	12	9,615	380	5,576	2,194	47,483	36,773	17,697	412	2,471	4,695	53,132	1,717	9,332	547,070	67,171	102,693
2022	12	3,424	520	8,644	6,406	24,729	50,661	9,425	...	7,216	12,724	35,988	5,104	9,605	607,534	114,669	37,830
2022	01	5,382	...	4,247	968	34,615	24,012	14,323	...	1,525	4,067	39,197	1,796	5,338	546,185	101,205	38,198
	02	7,833	...	4,028	1,652	54,559	40,705	14,997	...	2,929	4,519	60,143	2,817	9,394	541,897	100,158	39,386
	03	9,543	623	6,917	2,346	76,398	43,913	17,363	...	2,711	6,499	50,201	8,607	11,049	548,317	97,910	38,093
	04	7,486	1,805	8,121	3,739	79,785	43,770	17,036	...	3,897	6,435	32,847	3,003	7,362	537,065	98,692	37,771
	05	6,479	697	10,586	4,669	80,708	43,100	14,572	...	3,297	5,930	31,308	2,440	7,013	554,003	100,484	37,594
	06	6,815	1,998	9,442	5,002	67,525	50,101	15,203	...	2,811	8,569	43,107	2,265	2,274	535,406	108,554	38,009
	07	4,400	1,577	6,396	5,630	35,827	43,127	11,042	...	4,370	11,248	31,397	5,923	10,916	536,375	107,554	38,264
	08	3,070	1,819	7,502	4,488	36,089	47,793	11,415	...	4,647	7,795	34,210	1,920	8,581	540,514	107,898	38,477
	09	3,795	759	6,148	10,058	32,222	49,497	13,941	...	4,166	10,768	28,034	1,834	10,607	690,121	107,022	38,339
	10	3,176	1,139	6,897	4,048	19,207	46,993	8,398	...	6,956	9,033	32,915	3,791	9,538	705,964	107,722	37,966
	11	2,180	561	7,361	5,992	13,027	46,684	8,937	...	6,641	9,665	25,311	3,689	7,629	668,672	114,597	37,688
	12	3,424	520	8,644	6,406	24,729	50,661	9,425	...	7,216	12,724	35,988	5,104	9,605	607,534	114,669	37,830

Note:

*Interest rates in table for revolving loans and credit cards and their amounts refer to the outstanding amounts.

IRF – initial rate fixation

... insufficient data to be published

The interest rate on the revolving loans and credit cards, includes data on credit cards with loan facility. Considering that credit cards with loan facility imply an interest free deferred payment (0% ir), they are not published.

No data for interest rates on loans in foreign currency based on credit cards and overdrafts to households.

T11: Interest Rates on Loans to Non-Financial Corporations

- percentages per annum -

		Non-financial Corporations													
		Loans in KM						Loans in KM Indexed to Foreign Currency					Revolving Loans and Overdrafts *		
		Up to an Amount of EUR 0.25 Million	Over an Amount of EUR 0.25 Million and up to EUR 1 Million	Over an Amount of EUR 1 Million	Up to an Amount of EUR 0.25 Million	Over an Amount of EUR 0.25 Million and up to EUR 1 Million	Over an Amount of EUR 1 Million	Up to an Amount of EUR 0.25 Million	Over an Amount of EUR 0.25 Million and up to EUR 1 Million	Over an Amount of EUR 1 Million	Up to an Amount of EUR 0.25 Million	Over an Amount of EUR 0.25 Million and up to EUR 1 Million	Over an Amount of EUR 1 Million		
Year	Period	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Floating Interest Rates up to 1 Year IRF	Floating Interest Rates up to 1 Year IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Loans in KM	Loans in KM Indexed to Foreign Currency
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Weighted monthly averages															
2016	12	5.977	5.420	4.623	4.315	5.845	4.882	5.008	5.628	4.448	4.854	4.463	4.707	4.868	
2017	12	4.881	4.823	3.507	3.249	4.647	4.348	5.302	4.388	3.772	4.601	3.518	4.011	4.131	
2018	12	4.247	4.069	3.100	3.253	4.204	3.910	3.672	3.800	3.321	3.571	4.480	3.497	3.594	
2019	12	3.753	4.095	2.881	2.470	4.127	4.166	4.757	3.944	3.161	3.248	4.133	3.167	3.168	
2020	12	3.901	3.990	2.871	2.871	4.402	4.013	3.707	4.090	3.566	3.702	3.193	2.940	2.962	
2021	12	3.708	4.040	3.058	2.297	4.115	3.358	3.382	3.613	3.018	3.228	3.292	2.852	3.139	
2022	12	4.128	4.219	4.006	3.582	5.042	4.782	...	4.471	4.783	5.080	3.817	2.837	3.210	
2022	01	3.648	4.074	2.939	2.627	4.084	3.619	3.002	3.760	3.167	...	3.873	2.844	3.166	
	02	3.630	4.056	2.936	3.145	4.177	3.434	...	3.408	2.730	3.512	...	2.808	3.223	
	03	3.419	4.073	2.892	2.925	4.444	3.586	3.337	3.747	...	3.317	3.984	2.811	3.140	
	04	3.624	3.969	2.773	2.431	4.135	3.608	3.479	3.991	2.826	...	...	2.775	3.187	
	05	3.683	4.072	2.871	2.542	4.129	3.861	3.392	3.462	...	4.079	3.101	2.768	3.177	
	06	3.632	4.192	2.999	3.167	4.344	3.371	4.063	3.684	2.573	3.451	...	2.786	3.051	
	07	3.764	4.029	2.864	3.417	4.114	3.277	...	3.689	...	4.168	3.019	2.755	3.130	
	08	3.952	3.900	3.330	3.057	4.000	3.652	3.418	3.613	...	...	3.917	2.810	2.986	
	09	3.698	3.850	3.475	3.558	4.944	3.850	...	3.955	...	...	...	2.854	3.163	
	10	4.106	4.186	3.543	3.660	4.861	4.254	...	4.274	3.485	...	4.405	2.839	3.183	
	11	4.176	4.441	3.489	3.300	4.723	4.548	...	4.309	4.406	...	...	2.788	3.055	
	12	4.128	4.219	4.006	3.582	5.042	4.782	...	4.471	4.783	5.080	3.817	2.837	3.210	
Loan amount (new business)														- in KM thousand -	
2016	12	48,482	19,022	68,596	35,951	18,266	15,794	5,580	10,638	6,238	18,458	45,779	1,865,259	461,392	
2017	12	61,618	15,167	78,915	70,622	16,356	12,180	4,747	18,699	19,145	20,480	164,874	2,127,013	418,315	
2018	12	51,404	26,718	62,726	79,085	8,815	14,021	3,637	23,544	11,311	9,906	25,588	2,367,482	686,874	
2019	12	64,463	19,573	71,859	51,384	9,787	11,485	2,785	22,801	6,636	7,045	69,916	2,655,796	687,510	
2020	12	53,146	15,109	52,781	78,165	13,827	8,360	3,090	20,556	8,376	13,742	83,128	2,649,665	341,675	
2021	12	63,293	24,688	79,908	74,493	7,495	9,168	1,528	19,152	5,892	5,801	15,900	2,778,808	198,275	
2022	12	37,582	19,350	40,221	11,000	4,913	8,499	...	14,311	4,718	3,588	21,946	2,289,023	99,344	
2022	01	34,801	12,810	48,525	35,615	6,968	2,607	813	17,532	4,560	...	17,200	2,760,507	192,552	
	02	40,299	17,582	53,592	38,088	9,681	10,056	...	10,199	3,602	3,084	...	2,860,842	184,099	
	03	76,102	26,606	73,577	35,179	6,682	8,031	2,300	17,488	...	2,426	12,494	2,928,390	191,319	
	04	64,682	25,916	66,300	50,298	9,241	6,919	2,200	19,080	9,696	...	...	2,966,638	183,092	
	05	61,992	22,702	50,358	50,180	5,740	4,216	1,404	14,052	...	4,741	31,190	2,986,833	177,777	
	06	46,291	15,642	49,016	20,372	6,303	3,669	6,577	15,201	7,974	4,683	...	2,757,801	118,804	
	07	31,162	19,448	47,516	23,900	5,883	3,759	...	13,163	...	4,807	43,000	2,760,526	121,059	
	08	27,618	16,247	36,006	37,930	10,392	2,570	306	10,053	...	...	37,000	2,783,590	125,967	
	09	40,414	13,352	39,359	38,351	4,256	3,420	...	6,159	...	...	...	2,626,745	110,472	
	10	30,694	18,551	49,271	60,220	2,372	4,360	...	10,482	2,637	...	34,206	2,600,379	111,629	
	11	31,937	18,337	26,115	37,220	4,333	3,580	...	11,300	7,758	...	...	2,444,856	98,093	
	12	37,582	19,350	40,221	11,000	4,913	8,499	...	14,311	4,718	3,588	21,946	2,289,023	99,344	

Note:

* Interest rates in table for revolving loans and credit cards and their amounts refer to outstanding amounts.

IRF – initial rate fixation

... insufficient data to be published

The interest rate on the revolving loans and credit cards, includes data on credit cards with loan facility. Considering that credit cards with loan facility imply an interest free deferred payment (0% ir), they are not published.

No data for interest rates on loans in foreign currency on the basis of credit cards and overdrafts to non-financial corporations.

T12: Interest Rates on Deposits of Households

- percentages per annum -

Households											
Year	Period	Deposits in KM and Indexed to Foreign Currency				Deposits in EUR				Deposits in Foreign Currency	
		With Agreed Maturity				With Agreed Maturity				With Agreed Maturity	Overnight Deposits *
		Up to 1 Year Maturity	Over 1 and up to 2 Years Maturity	Over 2 Years Maturity	Overnight Deposits *	Up to 1 Year Maturity	Over 1 and up to 2 Years Maturity	Over 2 Years Maturity	Overnight Deposits *		
1	2	3	4	5	6	7	8	9	10	11	12
Weighted monthly averages											
2016	12	0.548	1.698	2.102	0.093	0.545	1.525	2.211	0.106	0.423	0.057
2017	12	0.234	1.346	1.458	0.065	0.309	1.265	1.533	0.062	0.572	0.046
2018	12	0.344	1.262	1.448	0.053	0.252	1.368	1.658	0.055	1.036	0.042
2019	12	0.299	1.137	1.232	0.061	0.378	1.158	1.570	0.051	0.944	0.040
2020	12	0.178	1.027	1.139	0.070	0.176	1.155	1.273	0.049	0.525	0.035
2021	12	0.098	0.466	0.619	0.045	0.231	0.945	0.930	0.055	0.208	0.031
2022	12	0.521	0.905	1.534	0.046	0.370	1.128	1.743	0.046	0.155	0.027
2022	01	0.149	0.415	0.650	0.045	0.154	0.916	0.933	0.054	0.127	0.031
	02	0.161	0.343	0.661	0.035	0.215	0.906	1.054	0.053	0.190	0.031
	03	0.160	0.375	0.729	0.045	0.196	0.796	1.370	0.052	0.203	0.031
	04	0.222	0.455	0.670	0.046	0.175	0.859	1.000	0.052	0.172	0.031
	05	0.137	0.628	0.765	0.046	0.184	0.941	1.135	0.052	0.279	0.031
	06	0.197	0.552	0.835	0.046	0.214	0.737	1.204	0.055	0.133	0.031
	07	0.252	0.826	0.785	0.035	0.406	0.954	1.263	0.053	0.172	0.031
	08	0.200	0.901	0.986	0.047	0.292	1.032	1.470	0.046	0.281	0.024
	09	0.441	0.867	1.129	0.047	0.433	1.171	1.524	0.045	0.292	0.023
	10	0.445	0.986	1.426	0.047	0.450	1.242	1.544	0.044	0.311	0.023
	11	0.452	1.074	1.256	0.047	0.307	1.455	1.379	0.044	0.233	0.023
	12	0.521	0.905	1.534	0.046	0.370	1.128	1.743	0.046	0.155	0.027
Deposit amount (new business)										- in KM thousand -	
2016	12	12,326	33,407	37,407	3,052,215	15,650	50,354	53,399	1,046,384	3,090	261,142
2017	12	11,394	24,378	19,272	3,375,019	11,119	50,394	38,014	1,248,762	3,981	287,026
2018	12	13,211	26,379	34,047	3,938,041	9,431	50,050	73,670	1,482,740	4,001	319,831
2019	12	16,084	22,228	28,581	4,537,961	10,740	44,538	70,124	1,658,352	4,723	345,752
2020	12	7,866	35,574	21,887	5,176,206	6,995	40,426	37,131	1,952,225	4,433	368,081
2021	12	8,431	17,683	15,228	6,218,427	9,432	33,280	38,855	2,151,732	1,896	444,055
2022	12	5,877	7,610	14,596	6,498,743	23,362	39,664	39,759	2,655,705	1,157	537,828
2022	01	4,688	11,448	15,192	6,296,600	11,062	34,106	25,062	2,167,145	3,963	447,844
	02	4,522	9,455	8,937	6,176,989	9,542	28,190	25,893	2,149,503	2,824	432,624
	03	9,612	6,974	12,805	5,850,702	25,653	33,125	32,502	2,062,502	3,832	411,826
	04	10,970	8,043	14,407	5,929,910	23,158	25,791	20,642	2,092,672	857	417,447
	05	8,445	6,679	11,122	5,991,487	13,573	27,185	22,235	2,105,434	1,432	406,944
	06	12,860	4,004	14,675	6,108,476	20,002	26,777	34,802	2,111,892	938	416,500
	07	9,886	8,991	10,097	6,338,007	17,467	26,960	26,176	2,245,059	1,776	431,907
	08	12,484	8,222	11,381	6,586,937	22,664	30,516	30,318	2,566,482	1,308	562,877
	09	10,218	8,029	14,310	6,706,861	23,216	33,402	41,766	2,627,652	1,802	567,888
	10	7,138	9,186	36,302	6,715,813	10,719	35,647	41,597	2,667,930	1,830	562,128
	11	8,362	21,634	16,108	6,567,582	13,640	40,993	41,040	2,656,170	1,113	540,130
	12	5,877	7,610	14,596	6,498,743	23,362	39,664	39,759	2,655,705	1,157	537,828

Note:

* Interest rates on overnight deposits and their amounts refer to the outstanding amounts.

Interest rates on deposit with agreed maturity and their amounts refer to new business.

Deposits in foreign currency include all foreign currencies except EUR.

T13: Interest Rates on Deposits of Non-financial Corporations

- percentages per annum -

Non-financial Corporations										
Year	Period	Deposits in KM and Indexed to Foreign Currency				Deposits in EUR				Deposits in Foreign Currency
		with Agreed Maturity				with Agreed Maturity				
		Up to 1 Year Maturity	Over 1 and up to 2 Years Maturity	Over 2 Years Maturity	Overnight Deposits *	Up to 1 Year Maturity	Over 1 and up to 2 Years Maturity	Over 2 Years Maturity	Overnight Deposits *	
1	2	13	14	15	16	17	18	19	20	21
Weighted monthly averages										
2016	12	0.456	1.393	1.822	0.085	0.915	...	2.124	0.083	0.048
2017	12	0.708	1.588	...	0.045	0.588	...	...	0.019	0.033
2018	12	0.706	1.137	1.958	0.082	1.003	0.973	...	0.027	0.043
2019	12	0.445	1.229	1.491	0.031	0.864	1.012	1.305	0.029	0.028
2020	12	0.922	1.358	1.474	0.028	0.372	1.267	1.218	0.010	0.025
2021	12	0.234	0.244	...	0.018	0.434	0.305	0.953	0.006	0.043
2022	12	0.350	1.059	1.289	0.051	0.455	1.209	1.503	0.005	0.032
2022	01	0.367	0.200	...	0.018	0.148	0.875	1.092	0.006	0.049
	02	0.207	0.208	0.696	0.014	...	0.375	...	0.017	0.049
	03	0.166	0.257	0.593	0.014	0.027	0.953	1.288	0.006	0.034
	04	0.137	0.236	0.519	0.016	0.384	0.370	0.935	0.007	0.034
	05	0.169	0.332	0.523	0.015	0.095	0.559	...	0.006	0.028
	06	0.102	0.247	1.032	0.016	0.130	0.612	0.876	0.007	0.026
	07	0.437	0.357	0.534	0.017	0.370	0.567	0.856	0.006	0.034
	08	0.225	0.176	0.734	0.021	0.309	...	...	0.006	0.029
	09	0.528	0.541	0.824	0.026	0.322	...	1.682	0.006	0.057
	10	0.434	0.643	1.535	0.025	0.457	0.983	1.554	0.006	0.037
	11	0.517	0.729	1.066	0.047	0.461	1.111	1.755	0.005	0.032
	12	0.350	1.059	1.289	0.051	0.455	1.209	1.503	0.005	0.032
Deposit amount (new business)										- in KM thousand -
2016	12	19,822	14,794	8,874	2,168,102	1,663	...	17,116	523,643	75,169
2017	12	9,762	16,772	...	2,653,618	1,663	...	...	677,882	89,421
2018	12	54,947	9,121	39,381	3,229,644	10,788	3,815	...	741,850	64,148
2019	12	36,636	31,437	16,943	3,552,249	7,182	23,959	2,265	709,023	86,536
2020	12	22,325	20,927	14,571	3,753,355	7,259	117,688	8,458	919,880	130,453
2021	12	13,950	9,133	...	4,768,468	24,403	25,153	25,554	1,158,011	89,918
2022	12	25,805	5,906	5,436	4,653,682	28,241	52,781	25,400	1,270,533	238,166
2022	01	38,869	852	...	4,734,148	18,203	18,960	5,171	1,287,822	102,118
	02	33,982	4,312	4,050	4,617,554	...	49,934	...	1,221,880	95,687
	03	40,220	6,160	41,303	4,570,131	1,089	35,244	9,478	1,256,150	130,871
	04	14,217	1,349	28,915	4,600,766	26,024	58,211	27,474	1,142,376	103,910
	05	19,811	3,857	2,287	4,607,404	10,333	21,524	...	1,223,734	128,051
	06	34,718	12,675	14,300	4,679,023	6,366	61,924	3,847	1,197,575	141,562
	07	22,668	10,401	12,854	4,562,515	10,609	21,551	28,875	1,271,081	116,285
	08	14,904	1,809	1,940	4,955,012	15,553	...	...	1,318,728	144,293
	09	10,398	8,297	17,112	5,032,372	8,746	...	3,577	1,360,109	159,247
	10	15,521	2,683	4,622	4,908,107	30,496	3,763	11,736	1,379,443	272,390
	11	31,569	6,232	1,161	4,700,971	35,560	10,021	11,938	1,338,011	248,344
	12	25,805	5,906	5,436	4,653,682	28,241	52,781	25,400	1,270,533	238,166

Note:

* Interest rates on overnight deposits and their amounts refer to the outstanding amounts.

Interest rates on deposit with agreed maturity and their amounts refer to new business.

Deposits in foreign currency include all foreign currencies except EUR.

... insufficient data to be published

T14: Total Deposits and Loans of Commercial Banks**- end of period, in KM million -**

Year	Month	Deposits			Loans		
		Transferable Deposits	Other Deposits	Total Deposits	Short - term Loans	Long - term Loans	Total Loans
1	2	3	4	5(3+4)	6	7	8(6+7)
2012	12	5,306.9	8,018.8	13,325.8	4,271.2	11,271.3	15,542.5
2013	12	5,771.9	8,477.3	14,249.2	4,318.6	11,707.7	16,026.4
2014	12	6,292.8	9,082.5	15,375.2	4,170.2	12,303.3	16,473.5
2015	12	7,038.7	9,492.1	16,530.8	4,164.9	12,701.9	16,866.8
2016	12	8,056.6	9,695.5	17,752.1	4,152.6	13,048.5	17,201.1
2017	12	9,558.1	10,111.0	19,669.1	4,261.5	14,160.9	18,422.4
2018	12	11,318.5	10,431.3	21,749.8	4,289.8	15,196.1	19,485.8
2019	12	12,566.6	11,253.8	23,820.4	4,651.2	16,121.5	20,772.8
2020	12	13,851.5	11,130.7	24,982.2	4,295.1	16,052.3	20,347.4
2021	12	16,762.9	11,069.7	27,832.6	4,396.9	16,680.4	21,077.3
2022	12	18,710.9	10,518.3	29,229.2	4,623.0	17,445.0	22,068.0
2022	01	16,862.0	11,067.5	27,929.6	4,336.9	16,597.7	20,934.6
	02	16,686.6	10,895.4	27,582.0	4,412.8	16,641.0	21,053.7
	03	16,334.6	10,484.3	26,818.9	4,539.6	16,709.8	21,249.3
	04	16,365.7	10,510.7	26,876.4	4,579.9	16,833.8	21,413.7
	05	16,907.9	10,512.5	27,420.4	4,600.9	16,970.4	21,571.3
	06	17,149.2	10,636.2	27,785.4	4,641.4	17,074.3	21,715.6
	07	17,408.3	10,650.7	28,059.0	4,623.7	17,139.7	21,763.4
	08	17,930.3	10,648.5	28,578.8	4,562.7	17,244.7	21,807.3
	09	18,100.4	10,585.2	28,685.6	4,578.6	17,269.6	21,848.2
	10	18,210.2	10,667.9	28,878.1	4,646.5	17,294.8	21,941.3
	11	18,126.5	10,606.0	28,732.5	4,639.6	17,327.0	21,966.7
	12	18,710.9	10,518.3	29,229.2	4,623.0	17,445.0	22,068.0

Note:

Total deposits represent liabilities of commercial banks of BH towards all domestic institutional sectors in domestic and foreign currency. Total loans represent claims of commercial banks of BH on all institutional sectors, in domestic and foreign currency.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 188.

T15: Structure of Transferable Deposits in Commercial Banks by Sectors**- end of period, in KM million -**

DEPOSITS OF ALL DOMESTIC INSTITUTIONAL SECTORS													
Year	Month	Deposits of BH Institutions	Entity Governments' Deposits	Deposits of Cantonal Governments	Deposits of Municipal Governments	Deposits of Social Security Funds	Deposits of Other Financial Institutions	Deposits of Non-financial Public Enterprises	Deposits of Non-financial Private Enterprises	Deposits of Non-profit Organisations	Deposits of Households	Other Deposits	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13
2012	12	94.0	339.2	231.1	195.2	105.9	161.5	517.5	1,443.4	186.5	2,015.3	17.0	5,306.9
2013	12	65.3	300.8	228.1	172.4	79.0	209.7	615.2	1,667.4	194.4	2,226.8	12.8	5,771.9
2014	12	60.0	412.1	261.4	176.9	61.4	171.5	470.8	1,954.4	247.9	2,462.7	13.7	6,292.8
2015	12	102.2	468.3	312.0	209.3	33.9	198.7	498.8	2,104.8	245.0	2,841.6	24.2	7,038.7
2016	12	94.9	520.2	399.6	255.6	58.1	190.1	523.9	2,313.6	251.1	3,431.4	18.0	8,056.6
2017	12	150.8	612.8	575.2	305.9	130.0	230.2	618.1	2,775.5	281.5	3,858.3	19.6	9,558.1
2018	12	122.8	932.2	691.9	365.7	261.0	273.7	724.0	3,095.3	303.2	4,523.7	24.9	11,318.5
2019	12	122.1	885.8	823.8	395.1	323.9	284.6	684.7	3,437.2	345.1	5,242.8	21.5	12,566.6
2020	12	133.4	906.1	801.9	398.1	129.5	362.7	764.6	4,018.1	406.7	5,892.3	38.1	13,851.5
2021	12	98.1	1,124.7	1,211.6	588.1	157.3	395.3	1,014.7	4,765.2	451.2	6,917.3	39.3	16,762.9
2022	12	199.5	1,303.6	1,454.8	683.5	144.2	454.1	1,059.6	5,388.2	485.0	7,510.0	28.5	18,710.9
2022	01	110.7	1,102.7	1,074.9	616.8	128.6	370.5	1,087.3	4,886.0	456.5	6,994.7	33.2	16,862.0
	02	123.3	1,105.7	1,122.2	639.1	134.8	407.6	1,111.5	4,646.1	455.0	6,912.4	29.0	16,686.6
	03	109.6	1,095.1	1,170.4	644.7	142.8	374.6	1,292.6	4,503.3	425.8	6,540.3	35.3	16,334.6
	04	140.7	1,132.5	1,234.6	628.9	150.6	415.3	1,205.4	4,358.6	447.6	6,611.5	39.8	16,365.7
	05	97.4	1,335.4	1,291.4	664.1	145.3	448.1	1,159.4	4,620.5	468.7	6,641.6	35.9	16,907.9
	06	123.0	1,438.4	1,454.6	651.2	151.0	444.6	1,030.3	4,604.4	469.3	6,750.2	32.1	17,149.2
	07	129.8	1,476.0	1,471.8	654.7	138.2	430.7	992.1	4,724.8	478.4	6,886.0	25.8	17,408.3
	08	123.5	1,435.2	1,513.3	698.3	137.1	441.9	1,047.7	5,024.2	484.0	6,990.6	34.4	17,930.3
	09	133.6	1,338.0	1,528.5	727.2	126.3	456.7	1,065.0	5,087.2	497.9	7,109.6	30.3	18,100.4
	10	131.1	1,330.2	1,493.3	732.0	133.8	456.9	1,026.4	5,266.4	489.2	7,120.0	30.8	18,210.2
	11	122.7	1,093.4	1,467.6	717.6	160.4	564.5	1,024.7	5,242.4	479.6	7,219.3	34.3	18,126.5
	12	199.5	1,303.6	1,454.8	683.5	144.2	454.1	1,059.6	5,388.2	485.0	7,510.0	28.5	18,710.9

Note:

Transferable deposits are available on demand without restrictions and charges, directly useable for payments to third parties, special savings accounts from which funds may be transferred to transferable deposits.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 188.

T16: Structure of Other Deposits in Commercial Banks by Sectors

- end of period, in KM million -

DEPOSITS OF ALL DOMESTIC INSTITUTIONAL SECTORS													
Year	Month	Deposits of BH Institutions	Entity Governments' Deposits	Deposits of Cantonal Governments	Deposits of Municipal Governments	Deposits of Social Security Funds	Deposits of Other Financial Institutions	Deposits of Non-financial Public Enterprises	Deposits of Non-financial Private Enterprises	Deposits of Nonprofit Organisations	Deposits of Households	Other Deposits	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13
2012	12	31.7	242.0	21.4	27.6	31.0	598.3	778.9	537.8	87.1	5,639.9	23.0	8,018.8
2013	12	62.7	170.8	21.0	26.6	35.0	651.4	724.0	531.1	100.3	6,137.1	17.1	8,477.3
2014	12	127.1	266.0	36.8	36.0	32.0	674.0	669.6	529.3	115.6	6,579.3	16.6	9,082.5
2015	12	129.7	224.7	25.0	36.3	31.9	693.0	688.7	501.9	120.7	7,023.2	17.0	9,492.1
2016	12	73.4	226.3	26.4	22.3	34.7	771.4	695.9	474.2	123.4	7,229.7	17.6	9,695.5
2017	12	116.6	243.8	24.3	34.4	22.9	816.8	766.7	554.4	102.6	7,412.8	15.7	10,111.0
2018	12	62.6	267.5	41.9	37.4	16.7	873.7	758.4	627.8	95.7	7,622.7	26.9	10,431.3
2019	12	51.7	582.1	90.8	51.2	28.8	870.8	826.0	615.4	102.4	7,998.1	36.6	11,253.8
2020	12	85.7	725.0	30.1	25.4	28.8	768.5	791.5	688.8	93.3	7,868.4	25.3	11,130.7
2021	12	38.0	714.1	33.6	24.0	29.7	764.3	789.4	770.1	91.9	7,778.2	36.4	11,069.7
2022	12	81.1	636.0	46.8	35.7	23.7	741.7	954.4	756.7	88.4	7,065.4	88.4	10,518.3
2022	01	78.5	666.7	53.5	25.6	33.4	776.3	762.0	784.4	90.2	7,756.4	40.5	11,067.5
	02	74.9	648.0	42.9	25.6	22.7	752.8	786.8	809.2	89.9	7,600.5	42.1	10,895.4
	03	70.5	639.1	64.8	25.9	20.6	745.7	718.2	799.7	102.1	7,247.3	50.4	10,484.3
	04	64.1	606.8	71.6	32.3	18.5	760.5	842.0	787.4	100.0	7,177.7	49.9	10,510.7
	05	25.6	644.7	72.1	32.4	19.3	733.9	910.7	808.0	98.9	7,129.1	37.9	10,512.5
	06	60.3	644.5	78.9	46.3	31.6	722.8	992.6	796.2	101.4	7,120.9	40.8	10,636.2
	07	39.8	623.4	79.3	47.4	19.6	752.3	1,023.6	834.3	100.0	7,090.5	40.4	10,650.7
	08	29.0	681.9	79.0	46.2	19.8	736.7	979.9	808.3	108.6	7,118.1	41.0	10,648.5
	09	48.6	682.7	73.2	46.3	17.8	754.8	916.5	790.8	105.0	7,109.0	40.5	10,585.2
	10	60.9	728.2	94.0	47.6	17.8	750.8	938.4	757.4	108.1	7,122.6	42.1	10,667.9
	11	45.3	717.8	95.1	48.3	19.1	750.2	947.8	775.3	107.8	7,059.0	40.1	10,606.0
	12	81.1	636.0	46.8	35.7	23.7	741.7	954.4	756.7	88.4	7,065.4	88.4	10,518.3

Note:

Other deposits allow automatic withdrawals of funds but not payment to third parties, time and savings deposits, other deposits-other.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 188.

T17: Structure of Short-Term Loans of Commercial Banks by Sectors**- end of period, in KM million -**

LOANS TO DOMESTIC INSTITUTIONAL SECTORS													
Year	Month	Loans to BH Institutions	Loans to Entity Governments	Loans to Cantonal Governments	Loans to Municipal Governments	Loans to Social Security Funds	Loans to Other Financial Institutions	Loans to Non-financial Public Enterprises	Loans to Non-financial Private Enterprises	Loans to Non-profit Organizations	Loans to Households	Other Loans	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13
2012	12	0.0	2.6	0.7	22.2	9.9	41.1	73.8	3,188.4	6.7	919.5	6.3	4,271.2
2013	12	0.0	12.9	0.6	40.1	35.3	28.5	89.2	3,152.2	5.5	942.2	12.1	4,318.6
2014	12	0.0	26.7	4.0	45.3	26.0	27.4	90.7	2,989.7	4.9	936.4	19.0	4,170.2
2015	12	0.0	72.0	4.8	22.0	39.4	28.3	86.4	2,944.8	4.2	937.0	26.0	4,164.9
2016	12	0.0	48.0	1.6	19.8	8.5	27.2	90.4	3,030.0	7.2	904.9	14.9	4,152.6
2017	12	0.0	44.3	1.4	15.7	7.8	33.8	73.2	3,163.2	10.2	896.4	15.4	4,261.5
2018	12	0.0	60.2	1.1	12.8	4.3	40.6	89.6	3,151.5	6.2	911.3	12.1	4,289.8
2019	12	0.0	17.3	0.1	12.5	2.0	49.3	104.1	3,537.7	6.8	919.8	1.7	4,651.2
2020	12	0.0	19.0	0.1	16.7	5.7	33.7	103.4	3,282.5	10.8	821.8	1.3	4,295.1
2021	12	1.6	53.2	1.4	25.0	4.3	48.4	101.7	3,341.1	9.2	810.1	0.8	4,396.9
2022	12	0.1	52.2	1.7	15.7	4.8	41.6	176.7	3,503.1	12.7	813.2	1.4	4,623.0
2022	01	0.2	55.5	1.3	15.0	4.4	47.5	102.4	3,300.0	9.0	801.0	0.7	4,336.9
	02	0.0	53.5	1.7	9.1	4.4	43.6	103.8	3,395.8	9.1	790.9	0.8	4,412.8
	03	0.0	41.1	1.6	8.3	4.6	43.1	100.5	3,526.2	9.2	804.5	0.5	4,539.6
	04	0.0	39.0	0.5	8.2	4.4	43.5	99.1	3,577.8	10.7	795.9	0.8	4,579.9
	05	0.0	28.7	0.9	8.9	4.7	41.7	93.1	3,601.6	11.4	809.3	0.5	4,600.9
	06	0.0	34.4	1.0	2.8	4.7	49.2	82.1	3,649.1	11.0	806.5	0.6	4,641.4
	07	0.0	34.7	2.1	5.9	5.0	31.9	98.3	3,619.1	12.3	813.6	0.8	4,623.7
	08	0.0	31.2	2.1	8.6	4.7	29.6	113.6	3,549.3	12.9	810.1	0.6	4,562.7
	09	0.0	44.5	2.5	9.8	4.7	40.8	113.9	3,540.8	12.9	808.0	0.6	4,578.6
	10	0.0	49.7	2.4	11.8	5.3	34.8	157.4	3,545.6	14.3	824.3	0.9	4,646.5
	11	0.0	49.0	1.6	12.9	4.8	28.2	167.1	3,545.4	11.3	818.7	0.6	4,639.6
	12	0.1	52.2	1.7	15.7	4.8	41.6	176.7	3,503.1	12.7	813.2	1.4	4,623.0

Note:

By 2006, the total claims on all level governments and funds (short-term and long-term) are shown in Table of short-term loans (columns 3,4,5,6,7) in the total amount because source data do not provide maturity structure of claims for governments and funds. Short – terms loans represent claims of commercial banks on all domestic institutional sectors up to one year, in domestic and foreign currency.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 188.

T18: Structure of Long -Term Loans of Commercial Banks by Sectors

- end of period, in KM million -

LOANS TO ALL DOMESTIC INSTITUTIONAL SECTORS													
Year	Month	Loans to BH Institutions	Loans to Entity Governments	Loans to Cantonal Governments	Loans to Municipal Governments	Loans to Social Security Funds	Loans to other Financial Institutions	Loans to Nonfinancial Public Enterprises	Loans to Non-financial Private Enterprises	Loans to Non-profit Organizations	Loans to Households	Other Loans	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13
2012	12	0.0	404.3	68.7	289.5	28.4	19.3	313.0	4,248.8	16.3	5,875.2	7.9	11,271.3
2013	12	0.0	418.6	77.9	299.4	17.5	23.4	361.5	4,369.0	15.0	6,123.0	2.5	11,707.7
2014	12	0.0	465.2	161.2	295.2	77.1	20.0	351.4	4,429.6	9.7	6,491.7	2.3	12,303.3
2015	12	0.0	418.3	225.5	281.7	99.0	31.8	310.3	4,473.4	12.5	6,847.2	2.2	12,701.9
2016	12	0.0	295.5	231.5	262.0	95.7	25.2	281.5	4,673.3	11.9	7,171.4	0.5	13,048.5
2017	12	0.0	333.7	207.8	276.3	79.5	49.6	328.4	5,156.5	11.6	7,717.3	0.2	14,160.9
2018	12	0.0	328.5	185.7	279.4	169.9	85.0	331.7	5,471.5	14.1	8,330.0	0.4	15,196.1
2019	12	0.0	399.2	168.6	301.0	197.5	95.3	393.5	5,496.3	13.8	9,055.8	0.5	16,121.5
2020	12	11.6	403.1	142.1	357.4	205.5	111.1	432.3	5,305.9	9.7	9,073.0	0.7	16,052.3
2021	12	14.5	353.7	185.8	350.9	189.8	104.3	409.0	5,435.7	11.1	9,625.4	0.2	16,680.4
2022	12	8.8	306.5	202.1	365.2	165.8	118.4	449.5	5,652.4	10.7	10,165.2	0.4	17,445.0
2022	01	14.0	351.3	181.4	355.2	187.2	100.4	404.1	5,395.3	10.5	9,598.0	0.3	16,597.7
	02	13.6	346.8	180.4	356.7	184.6	103.1	410.1	5,385.8	10.0	9,649.6	0.2	16,641.0
	03	13.2	343.2	177.4	353.4	181.8	103.5	404.8	5,400.3	10.0	9,721.9	0.2	16,709.8
	04	12.7	341.7	175.3	349.9	179.1	101.3	407.0	5,457.4	9.8	9,799.4	0.2	16,833.8
	05	12.2	350.3	174.2	345.2	176.0	104.3	411.3	5,511.6	10.1	9,875.0	0.3	16,970.4
	06	11.7	341.0	170.1	353.4	173.1	106.9	404.9	5,539.3	10.5	9,963.1	0.2	17,074.3
	07	11.3	338.4	166.8	352.7	170.2	111.4	406.0	5,555.5	11.2	10,015.9	0.4	17,139.7
	08	10.8	344.8	200.1	360.9	167.3	113.1	417.1	5,571.2	11.3	10,047.6	0.4	17,244.7
	09	10.3	334.4	208.7	355.6	164.4	113.3	418.8	5,557.2	10.9	10,095.6	0.4	17,269.6
	10	9.8	326.2	205.4	355.9	164.1	112.7	412.6	5,583.0	11.1	10,113.6	0.4	17,294.8
	11	9.3	322.9	204.4	361.6	158.6	113.4	414.7	5,594.2	10.8	10,136.7	0.5	17,327.0
	12	8.8	306.5	202.1	365.2	165.8	118.4	449.5	5,652.4	10.7	10,165.2	0.4	17,445.0

Note:

By 2006, the total claims on all level governments and funds (short-term and long term) are shown in Table of short-term loans (columns 3,4,5,6,7) in the total amount, because source data do not provide maturity structure of claims for governments and funds. Long – terms loans represent claims of commercial banks on all domestic institutional sectors over one year in domestic and foreign currency.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

See note on page 188.

T19: Purchase and Sale of Convertible Mark**- in KM thousand -**

Year	Month	Sale	Purchase	Balance	Cumulative Balance
1	2	3	4	5(3-4)	6
2012		5,511,162	5,491,846	19,316	5,471,998
2013		4,588,615	3,918,598	670,017	6,142,015
2014		5,065,358	4,379,047	686,312	6,828,327
2015		5,470,552	4,699,060	771,492	7,599,818
2016		7,485,849	6,622,039	863,811	8,463,629
2017		8,476,378	7,421,186	1,055,192	9,518,821
2018		10,792,432	9,780,514	1,011,918	10,530,740
2019		11,385,556	10,533,525	852,031	11,382,771
2020		11,344,462	10,184,558	1,159,904	12,542,676
2021		9,872,890	7,399,673	2,473,217	15,015,893
2022		6,291,277	6,075,689	215,588	15,231,481
2022	01	382,250	239,410	142,840	15,158,733
	02	438,525	536,952	-98,427	15,060,306
	03	521,538	823,701	-302,163	14,758,143
	04	488,502	440,565	47,937	14,806,080
	05	464,757	405,895	58,862	14,864,942
	06	489,905	381,593	108,312	14,973,255
	07	663,166	344,861	318,305	15,291,560
	08	653,051	328,609	324,441	15,616,001
	09	569,116	500,353	68,763	15,684,764
	10	311,318	578,907	-267,589	15,417,174
	11	331,428	687,726	-356,299	15,060,876
	12	977,721	807,115	170,606	15,231,481

T20: Average Reserve Requirements					- in KM thousand -
Year	Month	Base for Required Reserve Calculation*	Average Reserve Requirement	Average Balance on the Required Reserve Accounts with the CBBH	Balance
1	2	3	4	5	6=5-4
2012		14,755,574	1,257,850	2,711,013	1,453,163
2013		15,162,241	1,290,758	3,103,865	1,813,107
2014		15,999,278	1,370,137	3,577,824	2,207,688
2015		16,664,525	1,432,593	3,770,500	2,337,907
2016		18,494,243	1,734,081	4,057,613	2,323,532
2017		21,224,853	2,122,485	4,303,340	2,180,855
2018		23,537,084	2,353,708	5,205,234	2,851,526
2019		25,752,968	2,575,297	5,589,021	3,013,724
2020		26,950,173	2,695,017	5,409,751	2,714,733
2021		28,677,192	2,867,719	6,302,482	3,434,762
2022		30,175,606	3,017,561	6,694,300	3,676,739
2022	01	30,100,075	3,010,007	7,060,649	4,050,642
	02	30,143,954	3,014,395	6,940,641	3,926,246
	03	29,609,812	2,960,981	6,366,329	3,405,348
	04	29,109,559	2,910,956	6,257,008	3,346,052
	05	29,322,360	2,932,236	6,422,203	3,489,967
	06	29,692,583	2,969,258	6,501,710	3,532,452
	07	30,087,173	3,008,717	6,640,989	3,632,272
	08	30,427,192	3,042,719	6,814,061	3,771,342
	09	30,766,124	3,076,612	6,994,783	3,918,171
	10	30,876,001	3,087,600	6,906,307	3,818,707
	11	30,964,843	3,096,484	6,708,999	3,612,515
	12	31,007,597	3,100,760	6,717,916	3,617,157

Note:

From 1 July 2016, the required reserves rate applied by the CBBH to the base for calculation of required reserves is 10%.

From 1 July 2016, the CBBH applies the new rates for the calculation of fees to the funds in the banks' reserves accounts : in the accounting period, the Central Bank does not charge a fee on the amount of required reserves in commercial banks' reserves accounts, and on the amount of excess reserves, the CBBH charges the fee at the rate equal to 50% of the rate applied to commercial banks' deposits (deposit facility rate) by the European Central Bank.

From 01 May 2015, the Central Bank has calculated the compensation for a bank on the amount of the bank's funds in the reserve account with the Central Bank in the calculation period, as it follows:

-on the reserve requirement amount – the average of EONIA recorded in the same period on the market reduced by 10 basis points, or minimum zero,

-on the amount of the funds exceeding the reserve requirement – zero rate of compensation.

The zero rate of compensation on the reserve requirement is applied in case the average EONIA decreased by 10 basis points has a negative value.

From 1 September 2014, the remuneration rate has been calculated on the basis of the weighted average interest rate which was earned by the Central Bank of BH on the market in the same period on deposits invested up to a month ; and 70% is calculated on the amount of required reserve or minimum 0, while 90% of the mentioned rate is calculated on the amount of excess reserves or minimum 0.

From August 1st 2011. the remuneration rate is calculated by the weighted average interest rate which were earned by the Central Bank on deposits invested up to a month in the same period; 70% of this rate is calculated on the amount of required reserves while 90% of the same rate is calculated on the amount of excess reserves.

From February 1st, 2011 the required reserves rate on deposits and borrowed assets with contracted term of maturity up to one year was declined from 14% to 10%, while the required reserves rate on deposits and borrowed assets with contracted term of maturity over one year is not changed.

From July 1st, 2010 remuneration rate on the amount of required reserves is changed and calculated as an average of interest rates, which were earned by the Central bank on overnight deposits in the same period, while remuneration rate on the amount of excess reserves is not changed.

From May 1st, 2009 the required reserves rate is 7% on deposits and borrowed assets with contracted term of maturity over one year.

From April 1st, 2009 remuneration rate is calculated as:- On the amount of required reserves is 0,5%, - On the amount of excess reserves on the rate calculated as an average of interest rates, which were earned by the Central bank on deposits invested up to a month.

From January 1st, 2009 the required reserves rate is 14% on deposits and borrowed assets with contracted term of maturity up to one year and 10% on deposits and borrowed assets with contracted term of maturity over one year.

From October 11th, 2008 required reserves rate was declined from 18% to 14%.

From January 1st, 2008 required reserves rate was increased from 15% to 18%.

*The base for calculation of required reserves includes deposits and borrowed funds in domestic and other currency expressed in KM.

T21: Payments System Transactions

- in KM million -

Year	Month	RTGS		GYRO CLEARING		TOTAL	
		Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions	Amount
1	2	3	4	5	6	7=3+5	8=4+6
2012		763,522	68,310	33,073,839	13,223	33,837,361	81,533
2013		773,099	63,232	35,026,526	13,373	35,799,626	76,605
2014		821,897	73,897	37,108,440	13,961	37,930,337	87,858
2015		874,575	70,655	38,212,073	14,451	39,086,648	85,106
2016		935,319	72,876	39,068,883	15,509	40,004,202	88,380
2017		996,043	79,855	40,111,318	16,388	41,107,361	96,243
2018		1,067,256	85,393	41,266,770	17,277	42,334,026	102,670
2019		1,105,320	104,826	42,496,286	18,221	43,601,606	123,056
2020		1,072,023	87,108	42,702,383	18,024	43,774,406	105,132
2021		1,236,315	102,287	46,735,411	20,116	47,971,726	122,403
2022		1,435,980	123,370	48,264,255	22,456	49,700,235	145,825
2022	01	105,442	7,826	3,477,059	1,497	3,582,501	9,323
	02	103,247	8,347	3,783,940	1,637	3,887,187	9,984
	03	123,389	11,005	4,200,734	1,895	4,324,123	12,900
	04	117,636	10,067	4,001,217	1,844	4,118,853	11,911
	05	115,633	9,702	4,028,949	1,822	4,144,582	11,524
	06	120,602	11,390	4,169,267	1,920	4,289,869	13,309
	07	117,997	10,138	4,030,150	1,864	4,148,147	12,002
	08	122,447	10,701	4,103,403	1,955	4,225,850	12,656
	09	123,831	10,914	4,080,703	1,972	4,204,534	12,887
	10	121,221	10,303	4,051,520	1,926	4,172,741	12,229
	11	123,773	10,695	4,014,902	1,958	4,138,675	12,653
	12	140,762	12,280	4,322,411	2,167	4,463,173	14,446

T22: BH Balance of Payments														- in KM million -	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q1 2022	Q2 2022	Q3 2022	Q4 2022
CURRENT ACCOUNT	-2,266	-1,425	-1,983	-1,458	-1,424	-1,520	-1,094	-927	-1,125	-923	-2,045	-408	-664	-279	-694
Goods - balance	-7,779	-7,099	-7,874	-7,176	-7,089	-7,417	-7,521	-7,963	-6,268	-7,170	-10,095	-1,953	-2,456	-2,800	-2,887
Exports of goods	6,067	6,645	6,847	7,196	7,700	9,341	10,418	10,180	9,423	12,710	16,133	3,789	4,264	4,064	4,016
Imports of goods	13,846	13,743	14,721	14,372	14,789	16,758	17,940	18,143	15,691	19,880	26,228	5,741	6,720	6,864	6,903
Services - balance	1,631	1,624	1,698	1,951	2,118	2,329	2,612	2,797	1,493	2,571	3,625	621	763	1,228	1,014
Exports of services	2,416	2,391	2,452	2,962	3,168	3,484	3,832	4,149	2,447	3,775	5,318	935	1,168	1,815	1,401
Imports of services	785	768	754	1,012	1,051	1,154	1,220	1,352	954	1,204	1,693	314	405	587	387
Primary income - balance	205	357	224	195	41	-263	-195	-60	-194	-565	-344	-70	-149	-37	-87
Credit	874	864	955	929	929	969	1,026	1,197	882	1,016	1,215	236	288	336	355
Debit	669	507	731	734	889	1,233	1,221	1,258	1,076	1,581	1,559	305	437	374	442
Secondary income – balance	3,676	3,694	3,969	3,573	3,507	3,831	4,010	4,299	3,844	4,240	4,769	994	1,179	1,331	1,266
Credit	3,954	3,973	4,267	3,909	3,852	4,192	4,404	4,711	4,277	4,697	5,268	1,115	1,314	1,453	1,386
Debit	277	279	298	336	345	362	394	412	433	456	499	122	135	123	120
CAPITAL ACCOUNT	334	337	442	364	300	342	305	384	361	353	330	70	74	99	87
Credit	334	337	442	364	300	342	311	386	369	353	334	71	75	100	88
Debit	0	0	0	0	0	0	6	2	8	0	4	1	1	1	1
FINANCIAL ACCOUNT	-1,806	-909	-1,428	-885	-817	-898	-801	-590	-864	-93	-1,220	-380	-444	76	-472
Direct investment	-506	-342	-784	-509	-550	-717	-960	-739	-630	-899	-1,149	-206	-304	-233	-406
Net acquisition of financial assets	91	126	15	167	5	173	32	38	121	135	53	32	1	35	-15
Net incurrence of liabilities	597	468	799	675	555	890	992	777	751	1,034	1,203	238	306	268	391
Portfolio investment	19	144	107	110	167	157	256	214	10	80	195	85	-105	66	150
Net acquisition of financial assets	-43	80	36	51	99	92	254	179	-20	347	195	86	-105	66	148
Net incurrence of liabilities	-62	-64	-71	-58	-68	-64	-2	-35	-30	267	-1	1	0	0	-2
Financial derivatives	0	0	0	-0	1	1	-5	-1	-0	1	-0	0	1	2	-3
Net acquisition of financial assets	0	0	0	-0	-0	-4	-7	-12	-7	-3	-4	-0	-0	-0	-3
Net incurrence of liabilities	0	0	0	0	-1	-5	-2	-11	-7	-4	-4	-0	-1	-2	-0
Other Investments	-1,391	-1,420	-1,463	-1,366	-1,365	-1,473	-1,205	-999	-1,490	-1,970	-408	-10	-120	-484	205
Net acquisition of financial assets	-387	-238	-584	-417	-294	-690	286	-12	-217	-103	802	47	342	-154	567
Currency and deposits	-483	-339	-598	-366	-316	-547	-59	-28	-265	-212	465	-36	244	-249	507
Loans	-18	5	-23	-80	-74	-289	223	-90	-14	-32	117	43	41	15	19
Insurance and pension	18	15	9	-75	20	20	30	22	25	37	38	10	12	13	4
Trade credit and advances	89	89	86	92	81	100	98	73	60	117	154	35	39	42	38
Other financial assets	8	-8	-59	12	-4	26	-6	10	-24	-12	27	-4	7	25	-0
Net incurrence of liabilities	1,004	1,182	878	950	1,070	783	1,491	987	1,273	1,867	1,211	57	462	330	361
Currency and deposits	-83	-119	-281	-58	-107	69	393	75	-811	-286	-145	-89	-9	-68	21
Loans	546	768	645	522	698	127	463	318	1,490	750	291	-102	166	141	85
Insurance and pension	7	12	17	-8	-4	-5	-10	-10	-5	-5	-8	-2	-1	-3	-2
Trade credit and advances	514	510	526	523	487	582	618	619	582	795	1,073	233	273	294	273
Other financial assets (including the allocation of SDR)	21	10	-29	-28	-3	10	27	-15	16	613	0	18	34	-35	-16
Reserve assets	73	709	712	881	930	1,136	1,114	935	1,246	2,695	142	-250	85	725	-418
Monetary gold	1	77	0	0	0	0	0	0	0	0	-162	-28	0	0	-133
Currency and deposits	-2,051	-117	-36	-1,121	2,033	-230	253	238	549	441	4,432	-31	535	1,579	2,350
Securities	2,079	792	766	2,004	-1,102	1,367	860	699	696	2,254	-4,126	-191	-449	-854	-2,633
Other reserve assets	43	-43	-17	-1	-1	-1	1	-2	1	0	-2	0	-1	-0	-1
NET ERRORS AND OMISSIONS	127	179	113	209	306	281	-12	-46	-101	477	495	-42	146	255	135

Note:

The BH Balance of Payments is compiled in accordance with the IMF methodology (Balance of Payments and International Investment Position Manual, 6th edition – BPM6). Compilation of the Balance of Payments for the fourth quarter includes the regular revision of previously published quarterly data for current year in accordance with most recent available source data.

The detailed methodological information can be found on the web, at www.cbbh.ba/statistics.

T23: International Investment Position (IIP)**- in KM million -**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
NET POSITION	-15,178	-15,101	-15,509	-15,692	-15,282	-14,545	-14,100	-13,172	-12,098	-11,918	-12,039	-12,415	-12,214	-12,304
ASSETS	12,321	13,466	13,983	14,597	15,816	17,045	19,326	21,021	22,309	25,094	24,859	25,029	25,778	25,890
Direct investment	560	695	708	878	933	1,157	1,268	1,245	1,365	1,477	1,512	1,513	1,548	1,533
Equity and investment fund shares	297	291	299	362	370	427	468	622	736	789	824	843	877	885
Debt instruments	263	404	410	516	562	730	799	623	629	688	688	670	671	648
Portfolio investment	466	532	569	582	674	764	1,018	1,203	1,180	1,519	1,604	1,499	1,565	1,710
Equity and investment fund shares	23	23	31	33	39	44	41	39	38	82	82	82	82	82
Debt securities	444	509	538	550	635	720	977	1,164	1,141	1,437	1,522	1,417	1,483	1,628
Financial derivatives	0	0	0	0	2	0	0	1	0	0	1	0	0	0
Other investment	4,786	5,171	4,880	4,530	4,677	4,509	5,415	5,975	5,896	5,749	5,786	6,118	6,144	6,579
Other equity	29	47	48	52	48	52	54	53	61	54	53	53	53	53
Currency and deposits	2,985	3,288	2,982	2,870	3,127	3,191	3,952	4,350	4,297	4,214	4,214	4,483	4,456	4,859
Loans	329	334	311	232	158	176	249	210	196	207	245	287	302	320
Insurance, pension, and standardized guarantee schemes	61	58	110	88	87	92	89	94	105	108	111	109	109	109
Trade credit and advances	1,177	1,181	1,201	1,026	990	943	1,021	1,199	1,195	1,129	1,124	1,139	1,154	1,173
Other accounts receivable	205	263	228	262	267	55	49	69	40	36	39	47	70	65
Reserve assets	6,509	7,068	7,826	8,606	9,531	10,614	11,626	12,598	13,869	16,349	15,957	15,899	16,521	16,068
Currency and deposits	2,335	2,218	2,182	1,132	3,165	2,935	3,188	3,426	3,975	4,416	4,384	4,919	6,498	8,847
Securities	3,877	4,592	5,384	7,288	6,158	7,474	8,225	8,917	9,601	11,630	11,269	10,682	9,730	7,061
Other reserve assets	297	258	260	186	208	205	212	254	292	304	303	298	293	160
LIABILITIES	27,499	28,567	29,492	30,290	31,098	31,590	33,426	34,193	34,407	37,012	36,898	37,443	37,993	38,194
Direct investment	11,324	12,231	12,253	13,063	13,382	14,166	14,957	15,535	15,609	16,546	16,585	16,708	16,973	17,336
Equity and investment fund shares	8,006	8,872	8,449	9,516	9,698	10,517	11,364	11,663	12,070	14,032	13,951	14,044	14,307	14,550
Debt instruments	3,318	3,360	3,803	3,547	3,684	3,649	3,592	3,872	3,539	2,513	2,634	2,664	2,667	2,786
Portfolio investment	703	544	474	349	299	240	246	207	178	417	391	419	426	425
Equity and investment fund shares	123	127	118	56	79	93	98	99	110	108	109	109	109	108
Debt securities	580	417	355	293	220	147	148	107	69	308	282	309	317	317
Financial derivatives	0	0	0	0	2	0	0	1	2	0	0	2	4	0
Other investment	15,472	15,792	16,766	16,878	17,416	17,184	18,223	18,451	18,617	20,050	19,921	20,315	20,589	20,433
Other equity	66	42	50	47	26	29	36	47	48	78	78	78	78	77
Currency and deposits	2,053	1,934	1,653	1,595	1,489	1,554	2,751	2,825	2,015	1,730	1,642	1,633	1,566	1,582
Loans	10,758	11,113	12,310	12,632	13,074	12,890	12,494	12,527	13,369	14,192	14,175	14,499	14,825	14,708
Insurance, pension, and standardized guarantee schemes	17	16	17	18	19	22	23	24	27	30	31	30	30	31
Trade credit and advances	2,179	2,231	2,284	2,119	2,341	2,243	2,435	2,550	2,684	2,911	2,868	2,894	2,896	2,916
Other accounts payable - other	32	105	76	68	65	73	102	88	101	104	118	154	119	102
Special drawing rights (Net incurrence of liabilities)	367	352	375	401	401	374	382	389	373	1,005	1,009	1,027	1,075	1,017

Note:

International investment position (IIP) for BH is compiled in accordance with the latest International Monetary Fund Methodology for compilation of Balance of payments (BOP) and International investment position statistics, sixth edition (BPM6). Compilation of the International investment position for the fourth quarter includes the regular revision of previously published quarterly data for current year in accordance with most recent available source data. Shortened versions of the applied methodological approach for the compilation of BH IIP statistics are available on the CBBH website.

T24: Government Sector Foreign Debt Servicing							- in KM thousand -		
Creditor	2016	2017	2018	2019	2020	2021	2022		
							Principal	Interest	Total
Public creditors	648,016	909,078	918,240	756,735	704,376	736,246	679,957	122,334	802,291
International and regional organizations	549,724	785,931	773,242	596,376	519,313	543,640	530,228	98,349	628,577
European Investment Bank	79,346	88,995	98,079	100,344	118,727	118,059	101,559	22,597	124,156
European Bank for Reconstr. and Development	112,893	89,765	117,528	118,638	119,313	138,464	111,050	11,773	122,823
World Bank - IDA	104,563	142,855	130,584	144,276	162,458	119,356	185,082	15,630	200,712
World Bank - IBRD	52,836	52,520	52,785	64,732	70,914	92,155	59,255	18,392	77,647
Council of Europe Development Bank	4,740	5,306	5,390	5,817	8,166	8,050	6,945	1,404	8,349
International Fund of Agriculture Development	4,113	4,241	4,033	4,157	4,149	5,544	6,872	770	7,642
IMF	179,498	390,523	353,116	127,129	8,601	35,416	39,907	24,445	64,352
EUROFIMA	0	0	0	0	0	0	0	0	0
European Commision	11,735	11,726	11,726	31,284	26,986	26,595	19,558	3,339	22,897
Government and government agencies	98,293	123,147	144,997	160,359	185,063	192,606	149,729	23,985	173,714
Paris Club	40,906	43,055	46,256	50,203	53,425	57,303	30,692	3,841	34,533
Saudi Development Fund	7,818	9,680	9,895	10,380	10,408	10,225	6,762	2,300	9,062
Other bilateral	49,568	70,411	88,846	99,776	121,230	125,078	112,276	17,844	130,119
Private creditors	75,090	74,155	37,079	36,897	36,691	36,468	0	0	0
London Club	75,090	74,155	37,079	36,897	36,691	36,468	0	0	0
Total	723,106	983,233	955,319	793,632	741,067	772,714	679,957	122,334	802,291

Source:

BH Ministry of Finance and Treasury

T25: General Government Gross Debt (Maastricht Dept)**- end of period, in KM million -**

GENERAL GOVERNMENT GROSS DEBT (Maastricht debt)

of which: EXTERNAL DEBT

Year	Securites other than shares	Loans	Total	Public creditors	Private creditors	Maastricht debt
1	2	3	4=2+3	5	6	7=5+6
2012	2,017.8	7,558.9	9,576.6	6,598.6	613.2	7,211.8
2013	2,020.9	8,048.6	10,069.5	6,995.1	567.9	7,563.0
2014	2,192.2	9,188.8	11,381.0	7,928.6	513.7	8,442.3
2015	2,418.4	9,563.7	11,982.1	8,238.5	454.1	8,692.6
2016	2,478.2	9,616.6	12,094.8	8,504.4	368.1	8,872.5
2017	2,358.8	8,967.0	11,325.8	7,870.1	276.9	8,147.0
2018	2,332.5	9,092.1	11,424.6	7,935.6	262.6	8,198.1
2019	2,430.3	9,130.8	11,561.2	7,933.6	206.5	8,140.1
2020*	2,722.6	9,818.4	12,541.0	8,574.8	151.2	8,726.0
2021*	2,973.1	10,273.6	13,246.6	9,059.7	375.3	9,435.0
2022*	-	-	-	8,891.9	365.2	9,257.2

Source:

BH Ministry of finance and Treasury and CBBH

Note:

The statistical definition of debt is as defined in the Maastricht Treaty. The data are published on non-consolidated basis according to the Eurostat requirements.

*Data for 2020 and 2021 has been revised

**Data for 2022 are provisional

- The data not available

T26: Foreign Reserves of the CBBH

- end of period, in KM million -

Year	Month	Gross Foreign Reserves							Net Foreign Reserves	Monetary Liabilities	Net Foreign Assets of CBBH
		Gold	Holdings of SDR	Foreign Currency in CBBH Vault	Deposits with Nonresident Banks	Other	Investment in Securities				
1	2	3	4	5	6	7	8	9=3+...+8	10	11	12=10-11
2012	12	159.0	4.5	133.2	2,334.5	0.0	3,877.4	6,508.6	6,507.4	5,987.0	520.4
2013	12	164.1	2.7	91.6	2,217.6	0.0	4,592.3	7,068.3	7,067.3	6,659.2	408.1
2014	12	182.7	5.2	71.8	2,181.7	0.0	5,384.1	7,825.6	7,824.5	7,293.1	531.4
2015	12	182.3	3.8	128.5	1,003.6	0.0	7,288.1	8,606.3	8,605.0	8,064.6	540.4
2016	12	205.1	2.6	194.8	2,970.4	0.0	6,158.2	9,531.1	9,529.0	8,926.3	602.6
2017	12	203.9	1.5	236.4	2,698.6	0.0	7,416.1	10,556.6	10,555.0	9,977.1	577.8
2018	12	210.0	2.2	274.1	2,911.4	0.0	8,225.4	11,623.2	11,621.4	10,983.3	638.1
2019	12	254.1	0.2	322.6	3,102.8	0.0	8,917.4	12,597.1	12,595.4	11,824.2	771.2
2020	12	291.6	0.9	142.2	3,832.1	0.0	9,601.3	13,868.0	13,866.3	12,970.6	895.7
2021	12	302.0	1.9	469.6	3,945.1	0.0	11,629.6	16,348.1	16,345.8	15,573.0	772.8
2022	12	160.0	0.1	572.0	8,273.2	0.0	7,060.5	16,065.9	16,063.3	15,611.7	451.5
2022	01	300.3	4.8	471.4	4,198.6	0.0	11,467.4	16,442.5	16,439.9	15,715.2	724.7
	02	319.3	2.2	440.6	4,025.1	0.0	11,553.1	16,340.1	16,337.5	15,619.3	718.2
	03	301.3	2.1	457.0	3,926.1	0.0	11,268.7	15,955.3	15,952.3	15,306.2	646.2
	04	309.6	5.2	453.0	4,254.5	0.0	10,932.7	15,955.1	15,952.2	15,354.8	597.4
	05	294.6	1.6	452.6	4,647.1	0.0	10,574.1	15,969.9	15,967.3	15,407.3	560.0
	06	296.7	1.6	452.6	4,465.2	0.0	10,681.4	15,897.5	15,895.1	15,361.1	534.0
	07	297.3	8.0	455.7	5,452.4	0.0	10,052.5	16,265.9	16,263.1	15,682.8	580.4
	08	292.8	1.3	475.7	5,243.8	0.0	10,507.0	16,520.6	16,518.0	16,008.4	509.6
	09	291.5	1.4	476.1	6,019.9	0.0	9,730.2	16,519.1	16,516.5	16,067.7	448.8
	10	155.1	11.6	480.3	7,326.2	0.0	8,286.5	16,259.7	16,257.3	15,811.1	446.2
	11	159.6	0.1	482.8	7,686.6	0.0	7,577.7	15,906.8	15,904.4	15,442.0	462.4
	12	160.0	0.1	572.0	8,273.2	0.0	7,060.5	16,065.9	16,063.3	15,611.7	451.5

Note:

Gross foreign reserves consist of balance sheet positions of short-term foreign assets of the CBBH (gold, CBBH SDR holdings, foreign currency in the CBBH vault, transferable deposits in foreign currency with non-resident banks and other) and investment in securities according to the CBBH Investment Committee Decision from July 2006. Net foreign reserves represent a difference between gross foreign reserves and liabilities to non-residents. Monetary liabilities of the CBBH include currency outside monetary authorities and deposits of residents with monetary authorities. Net foreign assets of the CBBH represent a difference between net foreign exchange reserves and monetary liabilities of the CBBH.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

T27: BH Exports by Country of Destination

- in KM thousand -

Year	Month	Germany	Croatia	Italy	Serbia	Slovenia	Austria	Turkey	Montenegro	Other Countries	Total
2012		1,210,103	1,165,019	939,241	710,002	653,304	654,764	182,874	249,230	2,276,299	7,857,962
2013		1,310,844	1,194,637	1,003,294	766,745	686,503	687,565	174,625	270,745	2,459,942	8,380,275
2014		1,317,490	955,047	1,195,438	800,690	697,785	755,827	234,392	293,818	2,665,647	8,681,742
2015		1,412,906	925,166	1,214,930	770,695	748,870	743,062	354,630	262,844	2,908,721	8,987,194
2016		1,479,411	985,360	1,131,096	822,846	807,200	730,590	401,047	240,751	3,220,854	9,418,109
2017		1,595,704	1,284,200	1,209,035	1,093,685	973,397	899,235	431,094	352,507	3,647,618	11,055,383
2018		1,741,537	1,464,002	1,352,791	1,251,474	1,057,052	1,020,991	323,223	402,113	3,287,069	11,900,251
2019		1,675,709	1,399,922	1,300,534	1,308,885	1,006,226	1,089,881	292,554	407,303	3,011,551	11,492,564
2020		1,630,844	1,362,907	1,015,184	1,152,068	954,078	1,005,509	314,249	293,645	2,792,675	10,521,159
2021		2,137,576	1,864,306	1,608,291	1,722,477	1,219,184	1,284,935	358,064	394,449	3,684,248	14,273,529
2022		2,666,194	2,676,624	1,991,386	2,363,435	1,421,819	1,710,354	311,638	576,469	4,255,821	17,973,740
2022	01	202,932	204,123	156,137	185,373	95,755	109,074	24,633	51,629	292,644	1,322,299
	02	221,388	194,430	158,922	189,138	105,310	118,545	24,865	41,938	321,084	1,375,620
	03	237,971	224,334	178,014	215,198	128,618	146,106	31,897	50,597	383,265	1,596,000
	04	233,332	244,220	185,495	213,482	128,528	140,357	31,306	53,202	379,655	1,609,578
	05	221,049	254,621	196,510	222,706	126,119	147,829	26,004	57,403	355,317	1,607,557
	06	222,860	219,813	196,954	222,178	124,215	158,929	23,940	40,372	367,309	1,576,571
	07	221,382	214,002	203,043	176,352	112,167	142,417	19,657	33,885	337,502	1,460,408
	08	204,002	218,864	100,539	180,427	104,280	145,104	20,829	58,616	309,457	1,342,116
	09	226,222	273,832	163,817	191,870	124,224	162,654	27,350	47,200	418,779	1,635,948
	10	235,076	208,637	155,124	186,477	134,382	154,514	31,175	55,981	360,754	1,522,119
	11	245,020	212,984	155,567	175,442	132,692	159,417	22,135	39,167	376,130	1,518,554
	12	194,959	206,766	141,262	204,792	105,530	125,410	27,846	46,479	353,927	1,406,969

Note:

Criteria for presenting country is the share of export of the country in total three-year BH export (2016,2017,2018).

Thus, all countries with share higher than 3,0% are separately presented, while the other countries are presented as sum in the column Other countries.

T28: BH Imports by Country of Origin												- in KM thousand -
Year	Month	Germany	Italy	Serbia	Croatia	China	Slovenia	Russian Federation	Turkey	Austria	Other Countries	Total
2012		1,725,796	1,429,362	1,431,534	2,202,545	816,377	803,360	1,493,885	449,381	504,094	4,044,863	15,252,942
2013		1,734,842	1,482,256	1,485,608	1,956,353	914,082	754,344	1,505,995	493,202	519,291	3,990,634	15,169,793
2014		1,869,564	1,653,565	1,629,521	1,851,693	1,359,548	763,235	1,292,467	582,203	532,109	4,338,562	16,199,278
2015		1,914,225	1,758,289	1,728,490	1,673,161	1,091,670	773,559	910,072	644,698	560,924	4,588,564	15,851,692
2016		1,998,877	1,899,582	1,828,142	1,617,713	1,091,966	831,403	729,427	687,349	556,399	4,874,484	16,161,014
2017		2,103,758	2,062,127	2,029,997	1,828,432	1,186,073	912,704	907,315	766,728	618,743	5,499,863	18,185,642
2018		2,297,072	2,170,785	2,070,768	1,915,158	1,339,232	917,011	892,371	874,490	672,990	6,124,091	19,273,968
2019		2,337,802	2,333,081	2,150,219	2,020,597	1,449,423	906,606	451,193	964,624	721,547	6,163,492	19,498,584
2020		2,074,858	1,949,017	1,895,718	1,523,371	1,355,872	840,875	359,084	896,725	682,570	5,308,196	16,886,285
2021		2,566,643	2,600,538	2,427,344	1,922,537	1,702,427	984,015	629,494	1,269,716	823,775	6,670,410	21,596,900
2022		2,992,889	3,540,600	3,057,570	2,844,749	2,327,506	1,113,095	658,099	1,675,148	1,003,269	9,423,523	28,636,447
2022	01	173,385	187,991	160,979	146,152	154,540	71,109	57,203	100,176	60,878	600,723	1,713,135
	02	232,016	224,556	228,775	179,214	166,259	85,423	62,580	128,277	79,394	686,868	2,073,362
	03	265,613	290,343	302,350	235,261	188,069	106,368	53,284	148,915	93,167	831,396	2,514,767
	04	249,976	283,032	260,778	214,958	164,583	97,317	48,875	165,625	91,913	793,825	2,370,882
	05	243,291	312,576	266,939	234,998	186,041	93,514	54,833	141,287	87,557	805,655	2,426,692
	06	250,729	318,877	280,914	261,035	196,371	103,467	56,611	160,894	91,361	882,407	2,602,668
	07	255,437	353,235	237,625	269,702	197,554	98,391	60,809	118,631	85,906	797,449	2,474,738
	08	236,764	254,900	268,715	280,892	203,959	77,730	52,667	138,696	70,641	765,401	2,350,365
	09	270,424	333,286	285,379	303,870	240,733	103,272	69,104	141,229	93,977	809,376	2,650,649
	10	283,686	356,414	272,166	259,905	213,623	95,333	27,862	144,955	82,793	790,712	2,527,449
	11	261,982	303,470	249,403	248,115	215,016	87,615	35,092	143,369	88,439	848,612	2,481,113
	12	269,587	321,918	243,548	210,646	200,759	93,555	79,178	143,092	77,244	811,101	2,450,627

Note:

Criteria for presenting country is the share of import of the country in total three-year BH import (2016,2017,2018).

Thus, all countries with share higher than 3,0% are separately presented, while the other countries are presented as sum in the column "Other countries".

T29: Average Middle Exchange Rates of Convertible Mark

Year	Month	EMU EUR 1	Croatia HRK 100	Czech R CZK 1	Hungary HUF 100	Japan JPY 100	Switzerland CHF 1	Turkey TRY 1	UK GBP 1	USA USD 1	China CNY 1	Serbia RSD 100
2012		1.9558	26.0039	0.0778	0.6764	1.9098	1.6227	0.8455	2.4123	1.5227	...	1.7325
2013		1.9558	25.8068	0.0753	0.6587	1.5129	1.5893	0.7759	2.3044	1.4736	0.2396	1.7297
2014		1.9558	25.6194	0.0710	0.6337	1.3939	1.6103	0.6734	2.4263	1.4740	0.2393	1.6689
2015		1.9558	25.6886	0.0717	0.6313	1.4565	1.8329	0.6502	2.6945	1.7626	0.2806	1.6199
2016		1.9558	25.9604	0.0723	0.6280	1.6288	1.7944	0.5864	2.3964	1.7680	0.2662	1.5889
2017		1.9558	26.2055	0.0743	0.6325	1.5469	1.7616	0.4762	2.2329	1.7355	0.2566	1.6113
2018		1.9558	26.3655	0.0763	0.6137	1.5006	1.6938	0.3519	2.2110	1.6575	0.2506	1.6536
2019		1.9558	26.3651	0.0762	0.6016	1.6031	1.7581	0.3079	2.2301	1.7472	0.2530	1.6594
2020		1.9558	25.9468	0.0740	0.5576	1.6074	1.8274	0.2475	2.2013	1.7166	0.2487	1.6634
2021		1.9558	25.9772	0.0763	0.5457	1.5066	1.8089	0.1913	2.2747	1.6539	0.2564	1.6635
2022		1.9558	25.9570	0.0796	0.5015	1.4202	1.9482	0.1133	2.2949	1.8602	0.2765	1.6650
2022	01	1.9558	25.9960	0.0798	0.5440	1.5045	1.8822	0.1273	2.3411	1.7282	0.2719	1.6633
	02	1.9558	25.9622	0.0801	0.5487	1.4960	1.8676	0.1265	2.3336	1.7239	0.2717	1.6633
	03	1.9558	25.8362	0.0781	0.5185	1.5014	1.9108	0.1216	2.3411	1.7761	0.2800	1.6621
	04	1.9558	25.8750	0.0801	0.5227	1.4333	1.9148	0.1225	2.3391	1.8022	0.2808	1.6613
	05	1.9558	25.9515	0.0791	0.5094	1.4366	1.8911	0.1191	2.3028	1.8508	0.2766	1.6635
	06	1.9558	25.9918	0.0791	0.4924	1.3842	1.9087	0.1087	2.2836	1.8487	0.2762	1.6655
	07	1.9558	26.0088	0.0795	0.4851	1.4047	1.9793	0.1102	2.2998	1.9189	0.2851	1.6660
	08	1.9558	26.0290	0.0796	0.4868	1.4293	2.0193	0.1070	2.3156	1.9293	0.2839	1.6666
	09	1.9558	26.0007	0.0796	0.4857	1.3830	2.0264	0.1077	2.2400	1.9718	0.2815	1.6670
	10	1.9558	25.9769	0.0797	0.4674	1.3554	2.0024	0.1073	2.2431	1.9942	0.2776	1.6672
	11	1.9558	25.9329	0.0803	0.4813	1.3478	1.9861	0.1032	2.2506	1.9196	0.2676	1.6673
	12	1.9558	25.9230	0.0806	0.4797	1.3699	1.9830	0.0991	2.2504	1.8483	0.2648	1.6672

T30: Government Finance of BH - Government Sector Units											- in KM million -		
		BH Institutions	FBH	RS	Brčko District	Consolidated Revenues for BH"	BH Institutions	FBH	RS	Brčko District	Consolidated Expenses for BH"	Net Acquisition of Nonfinancial Assets	Net Surplus / Deficit"
2012		1,045.6	6,642.8	3,652.6	246.1	11,459.5	952.9	6,595.9	3,534.1	215.5	11,170.8	815.7	-526.9
2013		1,069.8	6,608.6	3,604.4	232.6	11,406.5	939.0	6,474.5	3,415.1	219.2	10,938.8	1,046.8	-579.2
2014		1,109.8	6,972.1	3,769.8	223.7	11,961.7	940.3	6,652.2	3,652.3	219.0	11,350.1	1,166.8	-555.3
2015		1,088.4	7,196.5	3,931.3	232.0	12,335.1	935.9	6,843.5	3,700.6	220.1	11,587.0	559.1	188.9
2016		1,062.9	7,645.4	3,937.0	248.5	12,767.3	949.3	7,013.5	3,636.9	198.6	11,672.0	724.5	370.8
2017		1,049.4	8,150.9	4,141.8	263.7	13,479.2	967.0	7,164.3	3,696.0	212.8	11,913.4	759.7	806.0
2018		1,045.0	8,833.6	4,364.6	280.9	14,389.6	996.0	7,660.0	3,983.4	233.7	12,738.6	914.6	736.5
2019		1,051.4	9,217.5	4,584.0	288.8	15,018.1	985.5	8,120.3	4,097.6	254.6	13,334.3	1,006.6	677.2
2020		1,070.6	8,614.0	4,652.1	268.3	14,430.7	1,028.6	8,583.1	4,749.6	287.9	14,474.8	1,765.1	-1,809.2
2021		1,093.0	9,616.7	5,147.2	305.9	16,055.3	982.3	8,792.8	4,861.0	268.5	14,797.0	1,368.9	-110.6
2016	Q1	242.5	1,498.3	706.4	54.9	2,478.4	226.3	1,430.0	687.6	43.1	2,363.4	24.0	91.0
	Q2	288.3	1,622.2	813.1	57.9	2,745.9	230.2	1,521.8	747.5	43.6	2,507.4	51.7	186.7
	Q3	256.6	1,761.1	812.0	62.4	2,867.4	227.9	1,494.9	776.2	41.0	2,515.2	105.3	246.9
	Q4	275.6	1,791.9	897.5	65.6	2,990.8	265.0	1,818.6	882.6	67.9	2,994.2	166.0	-169.4
2017	Q1	251.8	1,621.7	747.1	51.7	2,646.9	223.9	1,457.0	688.7	31.9	2,376.1	30.0	240.9
	Q2	273.3	1,792.9	827.2	61.1	2,920.7	231.1	1,556.0	747.9	44.0	2,545.1	70.1	305.4
	Q3	252.0	1,931.1	940.7	64.5	3,162.1	238.7	1,587.4	767.1	56.3	2,623.1	31.6	507.3
	Q4	272.3	1,851.2	887.8	76.2	3,050.0	273.3	1,863.6	906.1	77.0	3,082.6	204.3	-236.8
2018	Q1	277.7	1,762.1	816.9	57.0	2,882.0	231.4	1,499.4	728.4	34.3	2,462.0	30.9	389.0
	Q2	242.8	1,914.5	884.1	61.4	3,075.2	231.7	1,683.3	784.4	51.8	2,723.4	66.5	285.3
	Q3	400.3	1,951.9	861.7	69.0	3,250.5	243.9	1,651.7	835.0	56.0	2,754.4	91.2	404.9
	Q4	124.1	2,138.2	960.8	75.4	3,259.2	289.0	2,104.9	983.4	78.9	3,416.8	237.9	-395.5
2019	Q1	238.9	1,899.1	845.3	60.2	3,013.8	225.9	1,600.5	806.8	42.5	2,646.0	26.0	341.9
	Q2	261.7	1,990.1	902.3	67.3	3,187.1	239.2	1,770.8	789.9	63.1	2,828.7	71.9	286.5
	Q3	270.0	2,079.8	924.2	71.6	3,309.8	253.8	1,800.7	823.5	54.3	2,896.5	78.9	334.4
	Q4	280.8	2,080.5	1,015.2	72.2	3,412.9	266.6	2,177.5	972.4	81.1	3,461.9	210.4	-259.4
2020	Q1	286.0	1,906.0	862.8	59.7	3,081.9	235.6	1,695.3	877.3	42.7	2,818.4	40.6	222.9
	Q2	235.6	1,674.2	887.0	53.6	2,815.4	232.8	1,834.2	1,090.5	62.6	3,185.2	102.1	-471.9
	Q3	266.9	1,963.7	970.8	67.0	3,236.3	231.7	2,024.8	933.7	69.8	3,227.7	96.5	-88.0
	Q4	282.1	2,027.8	1,067.1	71.3	3,418.9	328.5	2,249.0	1,117.7	93.8	3,759.7	231.1	-571.9
2021	Q1	277.6	1,906.5	976.0	61.7	3,191.6	240.3	1,727.9	929.8	47.9	2,915.8	60.1	215.7
	Q2	275.1	2,094.2	976.5	69.9	3,390.8	235.1	1,919.4	1,022.4	59.7	3,211.7	93.3	85.8
	Q3	262.8	2,146.5	1,072.2	74.1	3,527.5	256.3	1,953.5	963.4	58.9	3,204.0	78.9	244.6
	Q4	277.5	2,272.0	1,095.8	82.3	3,702.2	250.5	2,430.2	1,170.4	85.6	3,911.4	288.6	-497.8
2022	Q1	256.1	2,181.7	1,070.1	72.9	3,550.1	243.1	1,818.4	979.0	57.4	3,067.3	22.0	460.8
	Q2	278.1	2,498.0	1,193.2	81.2	4,026.0	236.4	2,227.9	1,146.3	62.6	3,648.6	82.3	295.1
	Q3	326.9	2,424.2	1,209.6	83.2	4,009.0	269.8	2,266.2	1,261.1	63.5	3,825.9	108.6	74.6

Note:

Administrative data collected from: Ministries of Finance of all levels of government, Social Security Funds of all levels of government, Entities' Public Companies for Roads and Entities' Public Companies for Motorways. Annual data for consolidated revenues/expenses include local level of government (municipalities and towns), Public Company for Roads of all levels of government of FBH, Public Company for Roads of RS, Public Company for Motorways of FBH and Public Company for Motorways of RS, while quarterly data do not include them as the source data are not available.

Difference between revenues on one side and expenses with net acquisition of non-financial assets on the other side, represents net surplus/deficit.

T31: BH Government Finance of BH - Structure of Consolidated Revenues and Expenses**- in KM million -**

		Taxes	Social Contributions	Grants and Other Revenues	Consolidated Revenues	Compensation of Employees	Use of Goods and Services	Interest	Subsidies	Social Benefits	Grants and Other Expenses	Consolidated Expenses	Net Acquisition of Non-financial Assets
2012		6,037.9	4,046.6	1,375.0	11,459.5	3,323.8	2,156.4	200.6	416.1	4,394.4	679.5	11,170.8	815.7
2013		5,917.2	4,105.2	1,384.1	11,406.5	3,278.1	2,122.7	201.1	383.9	4,423.7	529.3	10,938.8	1,046.8
2014		6,078.6	4,234.8	1,648.3	11,961.7	3,265.5	2,127.2	238.9	364.9	4,658.0	695.6	11,350.1	1,166.8
2015		6,439.7	4,329.6	1,565.8	12,335.1	3,294.3	2,138.8	264.3	384.8	4,729.5	775.4	11,587.0	559.1
2016		6,760.4	4,473.6	1,533.4	12,767.3	3,295.5	2,187.5	252.0	382.8	4,755.0	799.3	11,672.0	724.5
2017		7,151.1	4,734.2	1,594.0	13,479.2	3,312.6	2,230.7	223.0	444.0	4,758.5	834.7	11,913.4	759.7
2018		7,688.4	5,041.8	1,659.4	14,389.6	3,422.1	2,534.0	242.5	476.0	5,013.2	1,050.9	12,738.6	914.6
2019		8,014.1	5,345.7	1,658.4	15,018.1	3,738.1	2,688.3	241.1	507.3	5,223.4	936.1	13,334.3	1,006.6
2020		7,363.3	5,383.9	1,683.5	14,430.7	3,921.8	2,702.8	255.9	870.1	5,508.0	1,216.3	14,474.8	1,765.1
2021		8,485.4	5,798.0	1,771.9	16,055.3	4,039.2	2,847.7	240.2	742.9	5,718.3	1,208.7	14,797.0	1,368.9
2016	Q1	1,290.0	998.7	189.6	2,478.4	711.1	400.5	44.3	30.4	1,097.8	79.3	2,363.4	24.0
	Q2	1,412.5	1,095.5	237.8	2,745.9	706.1	418.8	71.8	66.5	1,135.6	108.6	2,507.4	51.7
	Q3	1,468.4	1,136.0	262.9	2,867.4	702.8	409.8	42.8	65.3	1,163.2	131.3	2,515.2	105.3
	Q4	1,612.0	1,243.2	135.5	2,990.8	732.8	552.0	56.9	160.9	1,220.8	270.8	2,994.2	166.0
2017	Q1	1,349.6	1,076.7	220.7	2,646.9	707.8	403.5	45.6	35.4	1,114.3	69.5	2,376.1	30.0
	Q2	1,530.4	1,192.4	197.9	2,920.7	703.6	438.4	74.0	85.8	1,133.6	109.6	2,545.1	70.1
	Q3	1,692.0	1,196.0	274.0	3,162.1	720.4	440.3	46.8	109.6	1,134.6	171.4	2,623.1	31.6
	Q4	1,568.6	1,269.1	212.3	3,050.0	726.8	538.0	54.2	146.5	1,224.5	392.7	3,082.6	204.3
2018	Q1	1,526.1	1,153.2	202.7	2,882.0	719.0	432.2	47.4	42.4	1,136.3	84.9	2,462.0	30.9
	Q2	1,597.5	1,243.8	234.0	3,075.2	742.6	464.6	65.0	108.2	1,198.7	144.2	2,723.4	66.5
	Q3	1,787.5	1,241.5	221.6	3,250.5	730.6	470.6	46.4	103.1	1,224.5	179.2	2,754.4	91.2
	Q4	1,570.5	1,403.3	285.4	3,259.2	766.9	587.9	56.2	148.4	1,295.6	561.8	3,416.8	237.9
2019	Q1	1,528.5	1,247.2	238.1	3,013.8	787.8	462.1	41.8	40.5	1,202.7	111.1	2,646.0	26.0
	Q2	1,669.1	1,335.2	182.8	3,187.1	806.1	494.9	68.5	81.8	1,254.2	123.2	2,828.7	71.9
	Q3	1,734.1	1,336.0	239.6	3,309.8	805.4	517.7	43.3	112.2	1,252.3	165.5	2,896.5	78.9
	Q4	1,904.0	1,427.3	81.6	3,412.9	850.7	617.2	52.5	189.6	1,349.2	402.7	3,461.9	210.4
2020	Q1	1,556.2	1,286.5	239.2	3,081.9	817.7	482.1	69.8	60.4	1,274.3	114.1	2,818.4	40.6
	Q2	1,327.2	1,223.4	264.8	2,815.4	861.7	495.5	43.3	157.1	1,277.1	350.5	3,185.2	102.1
	Q3	1,564.3	1,418.6	253.4	3,236.3	850.4	486.3	42.4	262.8	1,357.6	228.3	3,227.7	96.5
	Q4	1,848.8	1,455.5	114.7	3,418.9	872.7	638.3	71.6	299.2	1,419.6	458.2	3,759.7	231.1
2021	Q1	1,560.9	1,319.3	311.4	3,191.6	851.1	486.3	55.0	47.5	1,318.9	156.9	2,915.8	60.1
	Q2	1,690.2	1,437.0	263.5	3,390.8	866.7	529.2	60.3	142.9	1,376.4	236.2	3,211.7	93.3
	Q3	1,854.4	1,441.1	232.0	3,527.5	865.8	547.5	31.9	123.2	1,405.4	230.2	3,204.0	78.9
	Q4	2,082.2	1,600.5	19.6	3,702.2	913.6	651.8	60.8	336.5	1,430.2	518.6	3,911.4	288.6
2022	Q1	1,851.2	1,462.0	236.9	3,550.1	908.3	517.6	52.7	55.2	1,377.3	156.2	3,067.3	22.0
	Q2	2,110.4	1,604.5	311.1	4,026.0	960.2	570.0	68.1	160.9	1,531.3	358.0	3,648.6	82.3
	Q3	2,124.8	1,643.0	241.3	4,009.0	988.8	599.2	67.7	154.3	1,631.2	384.8	3,825.9	108.6

Note:

Administrative data collected from: Ministries of Finance of all levels of government, Social Security Funds of all levels of government, Entities' Public Companies for Roads and Entities' Public Companies for Motorways. Annual data for consolidated revenues/expenses include local level of government (municipalities and towns), Public Company for Roads of all levels of government of FBH, Public Company for Roads of RS, Public Company for Motorways of FBH and Public Company for Motorways of RS, while quarterly data do not include them as the source data are not available.

Difference between revenues on one side and expenses with net acquisition of non-financial assets on the other side, represents net surplus/deficit.

T32: Flows of Foreign Direct Investment in BH, Classified by Country of Origin of Foreign Investor												- in KM million -
Year	Austria	The Netherlands	Croatia	Italy	Germany	Russia	Slovenia	Serbia	Switzerland	Turkey	Other Countries	Total
2012	133.6	1.6	86.1	28.5	37.7	147.5	-81.1	81.8	8.7	-5.4	161.9	601.1
2013	8.5	32.7	18.6	22.5	36.9	-82.8	-35.6	104.6	44.0	31.1	226.7	407.1
2014	171.1	26.0	88.7	24.0	-6.1	195.8	-1.2	33.1	8.9	17.6	253.1	811.1
2015	5.3	83.3	161.5	66.3	52.3	28.5	21.1	36.8	-33.5	56.1	159.2	636.9
2016	112.8	57.6	142.5	25.2	2.0	-44.3	34.6	-25.8	11.3	34.6	267.7	618.4
2017	84.1	-3.3	159.6	46.9	57.7	-6.8	101.1	56.9	30.6	-0.3	327.1	853.6
2018	90.7	100.9	129.1	23.6	105.1	143.4	42.6	21.1	46.5	7.4	252.9	963.3
2019	68.8	6.7	148.0	17.5	54.4	213.0	22.0	41.6	-19.8	3.2	244.0	799.3
2020	99.3	-3.9	178.6	33.6	78.3	-14.8	57.1	132.5	-23.2	60.3	139.0	736.7
2021	96.1	-65.8	82.0	58.7	76.9	-94.6	70.7	79.5	210.8	147.0	310.0	971.2
Jan - Sep 2022	165.4	69.4	71.4	59.3	85.7	-198.5	97.3	70.4	134.1	43.6	242.7	840.8

Note:

Foreign Direct Investments (flows and stocks) are compiled in accordance with the most recent methodological instructions and recommendations of the International Monetary Fund (IMF) and Organization for Economic Cooperation and Development (OECD). Detailed methodological approach to compilation and presentation is included in the IMF Balance of Payments Manual, sixth edition and OECD Framework Definition of Foreign Direct Investments, fourth edition.

T33: Flows of Foreign Direct Investment in BH by NACE Rev 2, Classification of Activities**-in KM million -**

Year	Manufacture of Food Products	Manufacture of Wood and of Products of Wood and Cork, except Furniture, Manufacture of Articles of Straw and Plaiting Materials	Manufacture of Coke and Refined Petroleum Products	Manufacture of Chemicals and Chemical Products	Manufacture of Other Non-metallic Mineral Products	Manufacture of Basic Metals	Manufacture of Motor Vehicles, Trailers and Semi-trailers	Wholesale Trade, except of Motor Vehicles and Motorcycles	Retail Trade, except of Motor Vehicles and Motorcycles	Telecommunications	Financial Service Activities, except Insurance and Pension Funding	Real Estate Activities	Other Industries	Total
2012	-5.9	-0.1	2.6	18.7	3.4	-26.0	7.0	144.8	40.2	6.4	130.2	12.1	267.7	601.1
2013	-4.0	2.2	-101.1	26.5	13.9	4.0	5.0	-44.4	73.7	46.1	138.5	19.7	226.9	407.1
2014	0.3	-5.7	180.6	3.0	-25.4	35.5	-59.4	64.1	37.3	6.8	138.4	187.1	248.5	811.1
2015	45.0	5.2	24.0	58.4	-4.4	-52.9	6.7	84.0	-29.3	57.8	116.8	89.5	236.1	636.9
2016	16.3	5.6	-52.0	51.9	-17.6	2.0	20.3	148.4	6.4	37.1	161.4	-9.8	248.4	618.4
2017	20.8	13.5	-26.0	1.2	-8.8	58.8	47.3	59.3	96.1	17.1	203.0	41.9	329.2	853.6
2018	34.9	9.3	139.0	33.2	15.5	63.7	40.3	121.3	11.9	8.3	140.1	28.4	317.4	963.3
2019	-13.4	15.1	200.3	26.5	6.4	-2.5	5.9	119.7	17.8	-20.6	153.3	19.0	271.7	799.3
2020	27.9	-0.6	1.5	37.7	18.3	-29.3	30.2	98.3	34.0	4.6	156.2	40.5	317.3	736.7
2021	11.3	9.3	-52.1	16.7	5.2	102.7	25.9	78.1	172.9	11.8	20.0	22.0	547.4	971.2
Jan - Sep 2022	10.8	11.6	-177.8	n/a	10.8	129.5	3.2	133.0	69.8	8.4	232.3	6.0	403.2	840.8

Note:

The data on flows of direct foreign investments in BH, according to NACE 1. Rev.1 Classification of the Activities, for the period 2004-2012, can be found on web site. Foreign Direct Investments (flows and stocks) are compiled in accordance with the most recent methodological instructions and recommendations of the International Monetary Fund (IMF) and Organization for Economic Cooperation and Development (OECD). Detailed methodological approach to compilation and presentation is included in the IMF Balance of Payments Manual, sixth edition and OECD Framework Definition of Foreign Direct Investments, fourth edition. n/a in this industry there are less than three companies with direct investment and in accordance with statistical standards we are not able to present invested amounts.

T34: Stocks of Direct Investment in BH Classified by Country of Foreign Investor**-in KM million -**

Country	31 12 2019			31 12 2020			31 12 2021		
	Equity capital and reinvested earnings	Other capital	Total	Equity capital and reinvested earnings	Other capital	Total	Equity capital and reinvested earnings	Other capital	Total
Austria	2,484.9	248.9	2,733.8	2,540.6	265.1	2,805.7	2,656.4	227.6	2,884.0
Belgium	6.3	2.0	8.2	8.0	3.4	11.4	10.9	5.0	15.9
Montenegro	20.4	2.6	23.0	24.7	2.8	27.5	33.1	3.0	36.1
Czech Republic	24.1	1.3	25.3	25.0	1.3	26.3	20.7	1.2	21.9
Denmark	20.9	6.3	27.3	27.4	5.7	33.1	38.4	5.8	44.2
France	8.7	12.8	21.5	20.8	12.8	33.6	20.3	12.8	33.1
Netherlands	493.9	337.9	831.8	562.5	260.6	823.1	576.6	155.2	731.7
Croatia	2,370.9	170.6	2,541.5	2,462.0	169.4	2,631.5	2,577.0	139.8	2,716.8
Ireland	-2.8	14.3	11.5	-3.3	14.4	11.2	-3.0	14.4	11.4
Italy	594.3	103.0	697.3	614.6	111.6	726.3	663.2	115.3	778.5
Canada	0.2	2.9	3.1	0.1	2.9	3.0	1.1	2.9	4.0
Cyprus	139.4	3.5	142.9	147.0	0.8	147.9	155.8	7.1	162.9
Kuwait	161.4	78.5	239.9	154.9	86.1	241.0	133.7	88.2	221.9
Liechtenstein	-7.0	1.0	-6.0	7.5	1.0	8.5	8.2	1.0	9.2
Lithuania	2.5	-0.0	2.5	1.9	-0.0	1.9	2.2	-0.0	2.2
Luxembourg	168.8	218.0	386.8	108.3	217.8	326.1	109.9	219.2	329.1
Hungary	32.8	1.5	34.2	35.2	1.7	36.9	39.1	2.1	41.2
Malaysia	9.6	26.1	35.7	9.0	29.1	38.1	10.3	29.1	39.3
Norway	6.3	3.6	9.9	6.7	3.6	10.3	7.1	3.6	10.7
Germany	620.8	179.3	800.1	642.0	207.5	849.5	717.0	204.9	921.9
Poland	31.2	11.0	42.1	33.9	10.0	43.9	33.7	43.0	76.7
Russia	-550.7	1,364.9	814.2	-498.2	1,052.6	554.3	450.5	7.3	457.9
Saudi Arabia	214.9	73.9	288.9	202.1	76.0	278.1	206.8	77.0	283.8
Slovakia	1.3	20.9	22.2	5.4	21.1	26.6	4.0	20.7	24.6
Slovenia	982.2	168.2	1,150.5	1,068.3	120.7	1,189.0	1,120.9	138.8	1,259.7
Serbia	1,868.4	210.9	2,079.3	1,940.8	238.7	2,179.5	2,003.9	244.5	2,248.4
Spain	30.9	0.0	31.0	36.0	0.0	36.0	29.0	0.1	29.1
Switzerland	394.7	78.0	472.6	363.4	69.7	433.1	567.1	72.5	639.7
Sweden	49.0	33.0	82.0	48.5	36.6	85.1	57.4	36.3	93.6
Turkey	459.5	-26.3	433.2	414.3	-27.5	386.8	516.4	2.6	518.9
United Arabian Emirates	184.3	121.6	305.8	162.5	144.5	307.0	156.6	154.6	311.2
United States of America	30.8	19.5	50.3	34.9	22.1	57.1	38.8	22.4	61.3
Great Britain	513.9	84.8	598.7	572.5	91.1	663.6	702.1	100.4	802.5
Other countries	296.3	104.7	401.1	290.6	79.1	369.7	367.1	85.9	453.0
Total	11,663.0	3,678.9	15,342.0	12,070.2	3,332.3	15,402.5	14,032.4	2,244.1	16,276.4

T35: Nominal and Real KM effective exchange rate

Year	Month	KM Effective Exchange Rate (2015=100)	
		NEER	REER
2012		98.50	105.14
2013		99.81	103.96
2014		101.10	103.09
2015		99.98	99.99
2016		101.26	98.88
2017		101.83	98.03
2018		103.39	98.52
2019		104.14	97.52
2020		106.20	96.97
2021		107.59	96.63
2022		109.21	99.98
2022	01	108.85	98.11
	02	108.91	98.51
	03	109.41	99.80
	04	108.95	100.26
	05	108.87	100.16
	06	109.28	100.65
	07	108.92	100.25
	08	108.99	99.90
	09	108.97	99.84
	10	109.31	100.76
	11	109.72	100.80
	12	110.29	100.68

Note:

Detailed methodological explanations for compiling and calculating the nominal (NEER) and real (REER) effective exchange rate are available at the CBBH website <http://www.cbbh.ba/content/read/1109?lang=en>

Note 6, 7, 9, 13,14, 15, 16 and 17.

The revised data for the period January 2006 – November 2015 are based on the active sub-balance of the banks with majority state owned capital from the Federation of BH, with the passive sub-balance excluded. Through such supplement of statistics, the users are provided with higher analytical usefulness of data and objective indicators on the current operations of banks in BH. Passive sub-balance includes the liabilities based on foreign loans and old foreign exchange savings of citizens until 31 March 1992 and it does not reflect the current operations of the bank, so this sub-balance in the privatization process will be taken over by the Ministry of Finance of FBH according to the Law on Initial Balance Sheets of Banks and the Law on Privatization, as it has been done for the previously privatized banks. The performed revision mainly influenced the decrease of loans to public companies in a foreign currency, decrease of foreign liabilities, decrease of other items of assets and liabilities on the basis of old foreign exchange savings, and in considerably lower amounts, on items of loans to the Entity Government, fixed assets, non-residents' deposits, shares and capital.

The data on the „complete“ balance sheet, with the included passive sub-balance, are still available at: http://statistics.cbbh.ba:4444/Panorama/novaview/SimpleLogin_bs.aspx

In November 2014, two banks have realized the sale and transfer of part of the loan portfolio which resulted with increase in reserves with monetary authorities in the amount of 64 million KM and a decrease in the following items: claims of non-financial private enterprises 260 million KM, foreign liabilities 101 million KM and other items (net) 95 million KM.

Due to the application of International Accounting Standards (IAS) and the International Financial Reporting Standards applied in BH Federation banks and the transfer of money flows in December 2011 data, the following changes have occurred at the assets side: decrease of loans by KM 155 million, an increase in other assets by KM 10 million, at the liabilities side: decrease of liabilities to non-residents in the amount of KM 624 million, an increase in loan loss provisions by KM 472 million and other liabilities increased by KM 7 million.

By order of the FBH Banking Agency, in June 2010, one bank made a reclassification of about KM 300 million of claims based on securities on domestic institutional sectors to the claims on non-residents. In December 2010, the same bank made this reclassification, retroactively, in the respective amounts for the period from August 2009 when the error occurred, until May 2010. The above reclassification was reflected in the increase in foreign assets and decrease in other items net.

One bank from FBH made a reclassification of financial instruments in the foreign assets amounting to about KM 40 million for the period January - August 2010. Claims on non-residents based on loans were reclassified in claims on non-residents on the basis of securities, which resulted in changes in the short- term and long-term foreign assets.

By order of the Banking Agency of Republika Srpska one bank made a reclassification of financial instruments on the liabilities side, for the period of September 2008 - November 2010, i.e.. the decrease in time and savings deposits of non-bank financial institutions and government sector, and the increase in loans from the same sectors, respectively, in the appropriate amounts, by months, ranging from 50 - 150 million KM.

In accordance with new regulations of the RS Banking Agency, published in the Official Gazette of RS, no.136/10, which has regulated a new manner of recording receivables classified in category "E", accounting and bookkeeping of interest on non-performing assets and calculation of general and special provisions, RS banks, in the data for December 2010, implemented the mentioned regulations, by transferring these items from off-balance records into balance sheet. The correction was reflected on the assets side, as increase of loans in the amount of about KM 144 million, and increase of due interest in the amount of KM 36 million, and on the liabilities side, as increase in provisions for loan losses amounting to about KM 180 million within the capital account.

PUBLICATIONS AND WEB SERVICES

Monthly Economic Overview	Brief information about the latest trends in the macroeconomic environment, which has been published on the website of the CBBH since May 2013. The publication had previously been internal.
Bulletin	A quarterly publication which includes monetary and financial statistics, information on payment transactions, data on the real sector and balance of payments data of Bosnia and Herzegovina.
Annual Report	The publication contains the report on the operations of the CBBH throughout the year and the financial report, which the CBBH submits to the Presidency of Bosnia and Herzegovina and the Parliamentary Assembly of Bosnia and Herzegovina.
Financial Stability Report	The annual publication contains an assessment of the risks arising from the macroeconomic environment and trends in the financial system, as well as an assessment of the resistance of the system to the identified risks.
Special research topics	An occasional publication published on the website of the CBBH.
CBBH Monography	Jubilee publication on the occasion of the CBBH twenty years anniversary.
WEBSITE www.cbbh.ba e-mail: contact@cbbh.ba pr@cbbh.ba TWITTER@CBBIH	<p>The openness and transparency of the CBBH operations is considered very important for the credibility, public accountability and trust, which it enjoys among the population and by other institutions in Bosnia and Herzegovina and by international institutions. On the basis of the CBBH Rules of Procedure, the CBBH has an obligation to inform the public about its work by providing timely information, publishing reports, issuing official publications and organizing press conferences.</p> <p>The website of the CBBH has existed since 1998. It contains basic information on the CBBH, the Law on the CBBH, presents the banknotes and coins of Bosnia and Herzegovina, as well as numismatic issues of the CBBH. On the website, there are also numerous publications and statistical data (Annual Reports, Monthly Balance Sheets, Quarterly Bulletins, Financial Stability Reports, Balance of Payments of BH, Payment Operations Reports ...) and a list of all commercial banks in BH. The publications and statistical data are published in generally accepted formats, DOC, XLS and PDF. On this page, the latest exchange rates, which are updated daily, and other relevant news and press releases are published.</p> <p>The material is published in Bosnian, Croatian, Serbian and English., In order to increase openness and transparency and to reach the public, as much as possible, the CBBH has launched an official profile on the social network Twitter. On this profile, we publish the data, usually published on the website of the Bank, www.cbbh.ba, as well as additional information and data, which are estimated as relevant. The way of communication is adjusted to the targeted audience.</p>

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DTP:

Grafičar d.o.o.

Printed by:

Grafičar d.o.o.

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